

**PACIFIC FINANCIAL  
TECHNICAL  
ASSISTANCE CENTRE**

Supporting Macro-Financial Stability and  
Sustainable and Inclusive Growth in the Pacific



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**ANNUAL  
REPORT  
2020**

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PFTAC is an IMF initiative supported by the following member countries and development partners:



Cook Islands



Fiji



Kiribati



Marshall Islands



FSM



Nauru



Niue



Palau



PNG



Samoa



Solomon Islands



Timor-Leste



Tokelau



Tonga



Tuvalu



Vanuatu



Ministry of Strategy  
and Finance



EUROPEAN UNION



NEW ZEALAND  
FOREIGN AFFAIRS & TRADE



Australian Government  
Department of Foreign Affairs and Trade

# FOREWORD FROM THE PFTAC COORDINATOR



David Kloeden

I am pleased to present the 2020 annual report covering the accomplishments of PFTAC over a fiscal year that concluded in very uncertain times given the COVID-19 pandemic. Until early February, PFTAC operations were on track to be our busiest and most impactful year since establishment more than 26 years ago.

Good results were evident across our programs, from efforts to replace foregone trade tax revenues for PACER Plus signatory countries, through banking reforms, and PFM innovations with a focus on gender priorities. Disruption to our Capacity Development (CD) delivery emerged in February and by March had been restricted to remote delivery – a modality that we have rapidly embraced through innovation, technology and the cooperation and patience of our membership. In these uncharted waters PFTAC stands ready with our IMF colleagues to respond as quickly and nimbly as possible to the needs and priorities of our members.

We are now beyond the halfway point of Phase V operations, with the mandated mid-term external evaluation launched in late 2019 and targeted for completion in early 2021. The large Phase V funding gap we faced a year ago has been closed through the generosity of New Zealand beyond their original commitment plus Canada joining as the sixth PFTAC donor partner with an appreciated contribution in late 2019. Subject to receipt of all expected contributions, operations are financed though the expected Phase V end in April 2022, including a one-year extension of the Government Finance Statistics (GFS) program as sought by the membership, and the inclusion of support to a time-bound initiative to address

challenges with Correspondent Banking Relationships (CBR).

We have enjoyed stability with our team of resident experts other than the February 2020 departure of the Macro advisor Iris Claus after five years with a brief overlap with her successor Andrew Beaumont. Two additional departures (financial sector advisor Ben Stefanou and PFM advisor Celeste Kubasta) took effect in July and May 2020 respectively with their successors recruited and operating remotely until they can take up their positions in Fiji. With no local administrative staff changes for many years, Josaia Nakete and Rusila Bituwaqa moved abroad, with Kalara Raidruta and Pretti Lata joining the team. Nina Samuela who has been with PFTAC from the start was promoted and appointed in the newly established Officer Manager position in line with all other Fund CD centers.

Cancellation of the 2020 Steering Committee (SC) meeting was very unfortunate given the plans and hospitality the Niue authorities had in store, but unavoidable. The SC members endorsed the FY2021 workplan and budgets in late April through a Lapse of Time process. They were premised on an a pre-COVID world and were accordingly acknowledged as a baseline that would need review early in FY2021 to take account of members' changing priorities due to COVID-19, the experience and absorptive capacity for TA remote delivery, and the efforts of other partners. After extensive consultation, the plans reflected in this final report were revised and endorsed by SC members in late August 2020. They are predicated on an optimistic resumption of some travel and the gradual return to normalcy from late 2020. If this situation does not eventuate, a further revision in November will be necessary to reflect remote delivery through the end of FY2021.

# LIST OF ACRONYMS AND ABBREVIATIONS

ABS	Australian Bureau of Statistics	FFA	Forum Fishing Agency
ADB	Asian Development Bank	FMIS	Financial Management Information System
AFSPC	Association of Financial Supervisors of Pacific Islands Countries	FPP	Financial Programming and Policies
AML	Anti-money laundering	FSM	Federated States of Micronesia
APD	IMF Asia and Pacific Department	FSS	Financial Sector Supervision
ATO	Australian Taxation Office	FTE	Full Time Equivalent
BCG	Budgetary Central Government	FTE	Fiscal Transparency Evaluations
BOP	Balance of Payment	FY	Financial year
BPNG	Bank of Papua New Guinea	GDDS	General Data Dissemination Standard
CARTAC	Caribbean Regional Technical Assistance Centre	GDP	Gross Domestic Product
CBR	Correspondent Banking Relationships	GFS	Government Financial Statistics
CBSI	Central Bank of the Solomon Islands	GFSM	Government Finance Statistics Manual
CCPA	Climate Change Policy Assessment	GG	General Government
CD	Capacity Development	GRB	Gender Responsive Budgeting
CDMAP	Capacity Development Management and Administration System	GRT	Gross Receipts Tax
CDOT	IMF Capacity Development Office in Thailand	HIES	Household Income and Expenditure Survey
CFT	Combating the Financing of Terrorism	HMRC	Her Majesty's Revenue and Customs
CIS	Compliance Improvement Strategy	ICD	IMF Institute for Capacity Development
COA	Chart of Accounts	IFRS	International Financial Reporting Standards
COFOG	Classification of the Functions of Government	IMF	International Monetary Fund
DFAT	Australian Department of Foreign Affairs and Trade	IPS	Industry Partnership Approach
DoT	Department of Treasury	IPSAS	International Public-Sector Accounting Standards
e-GDDS	Enhanced General Data Dissemination Standard	ISORA	International Survey on Revenue Administrations
ESC	Evaluation Sub Committee	IT	Information Technology
ESS	External Sector Statistics	KYC	Know Your Customer
EU	European Union	LEG	IMF Legal Department
FAD	IMF Fiscal Affairs Department	LOU	Letter of Understanding
FEMM	Forum Economic Ministers Meeting	LTO	Large Taxpayer Office
		LTX	Long-term expert or resident advisor

MCM	IMF Monetary and Capital Markets Department	PSSC	Pacific Statistics Steering Committee
		QNA	Quarterly National Accounts
MFED	Ministry of Finance and Economic Development	RAP	Resource Allocation Plan
		RBA	Reserve Bank of Australia
MFEM	Ministry of Finance and Economic Management	RBM	Results-Based Management
		RBNZ	Reserve Bank of New Zealand
MFF	Monetary and Fiscal Forecasting	RBS	Risk Based Supervision
MOF	Ministry of Finance	RBV	Reserve Bank of Vanuatu
MoFT	Ministry of Finance and Treasury	RCDC	Regional Capacity Development Centre
MORC	Ministry of Revenue and Customs	RMI	Republic of the Marshall Islands
MTO	Money Transfer Operators	RSS	Real Sector Statistics
MTRS	Medium Term Revenue Strategy	RTAC	Regional Technical Assistance Centre
NA	National Accounts	SBS	Samoa Bureau of Statistics
NRBT	National Reserve Bank of Tonga	SC	PFTAC Steering Committee
NSO	National Statistical Office	SDDS	Special Data Dissemination Standard
OCO	Oceania Customs Organization	SDG	Sustainable Development Goal
PACER	Pacific Agreement on Closer Economic Relations	SERF	Samoa Economic and Revenue Forecasting model
		SOE	State-Owned Enterprise
PASAI	Pacific Association of Supreme Audit Institutions	SPC	Secretariat of the Pacific Community
PD	Program Document	STA	IMF Statistics Department
PEFA	Public Expenditure and Financial Accountability	STI	Singapore Regional Training Institute
		STX	Short-term Experts
PFM	Public Financial Management	TA	Technical Assistance
PFTAC	Pacific Financial Technical Assistance Centre	TADAT	Tax Administration Diagnostic Assessment Tool
PIC	Pacific Island Country	TOR	Terms of Reference
PIFS	Pacific Islands Forum Secretariat	TYPSS	Ten Year Pacific Statistics Strategy
PIMA	Public Investment Management Assessment	UNDP	United Nations Development Program
		UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
PITAA	Pacific Islands Tax Administrators Association	UNFPA	The United Nations Population Fund
PNA	Parties to Nauru Agreement	UNICEF	The United Nations Children's Fund
PNG	Papua New Guinea	USP	University of the South Pacific
PRIF	Pacific Regional Infrastructure Facility	VAT	Value Added Tax
PSDS	Public Sector Debt Statistics		

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SECTION I

# OVERVIEW



**NATIONAL ACCOUNTS STATISTICS REGIONAL WORKSHOP**  
**18th - 22nd November 2019**  
**at Tanoa International Hotel Nadi, Fiji Islands**

## A

# OVERVIEW OF THE PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE (PFTAC)

## INSITUTIONAL FRAMEWORK

PFTAC was established in 1993 to promote macro-financial stability in Pacific Island countries (PICs) through a focused program of technical assistance (TA) and training, otherwise termed, Capacity Development (CD). The goal of PFTAC is to strengthen the institutional capacity of Pacific countries to design and implement sound macroeconomic and financial policies. Macroeconomic and financial stability, in turn, are essential underpinnings for sustainable economic growth and the achievement of the Sustainable Development Goals (SDGs).

PFTAC assists 16 PICs that comprise 13 members of the IMF, including the Federated States of Micronesia (FSM), Fiji, Kiribati, Nauru, Palau, Papua New Guinea (PNG), Republic of the Marshall Islands (RMI), Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu and Vanuatu, plus the Cook Islands, Niue and Tokelau.

PFTAC's operations are funded by contributions from three sources. In the Phase V funding cycle, running from November 2016 to April 2022, funding is provided by PFTAC's traditional donors—the Asian Development Bank (ADB), Australia, the European Union (EU), Korea, and New Zealand—and, for the first time, by its member countries. In November 2019, Canada

became the sixth PFTAC donor helping to close the balance of a funding gap for Phase V after a significant additional contribution from New Zealand. Member countries also contribute through in-kind support for training activities in the region, and development partners also contribute through co-funding of workshops. The IMF contribution finances the center coordinator, local support employees, and office overheads.

The framework for PFTAC's operations, as well as for its accountability, is largely determined by the program established at the beginning of each funding cycle. PFTAC staff work closely with IMF headquarters staff both in planning and implementing the work program. PFTAC provides accountability to its members through Quarterly Reports which report on activities, finances, and performance in relation to those objectives; the Annual Report; and through its annual SC meetings. The program provides for an external independent evaluation of PFTAC midway through each phase which for Phase V was launched in late 2019 following a competitive tendering process in the preceding months.

## CAPACITY DEVELOPMENT (CD) STRATEGY

CD provided by PFTAC reflects specifically defined program priorities,

but adaptable within resource and competency constraints to evolving regional priorities and the needs of member countries. The objectives defined in the Phase V Program Document (PD) provide a basic medium-term framework for guiding PFTAC's activities. However, PFTAC priorities and activities must be sufficiently flexible and nimble to respond to evolving objectives set by regional leaders, as well as the activities of other development partners. Two examples of this flexibility and nimbleness arising during FY2020 include a one year extension of the GFS program at the strong urging of member countries beyond its intended conclusion in April 2020, and the agreement of the SC for an 18-month time bound initiative under the PFTAC Macro program to provide secretarial support to an initiative of the group of Pacific Central Bank Governors to develop a KYC utility to mitigate the risk of loss of CBR. The rapid changes made late in the year to respond to COVID-19 is very indicative of this flexibility.

The annual work program is agreed at the beginning of the financial year (FY) as part of the integrated IMF Resource Allocation Plan (RAP), but changes eventuate during the year to accommodate emerging CD requests following agreement between the Asia Pacific Department (APD) and relevant TA Departments. The PFTAC RAP is

prepared under the leadership of APD, in close collaboration with PFTAC staff and the functional TA departments supporting the delivery of TA and training in the region.

## PFTAC PROGRAMS

Seven resident PFTAC advisors deliver and manage five CD programs. There is major emphasis on fiscal issues given the importance in the region to ensuring sustainable public finances, with two core programs covering Public Financial Management (PFM) and Revenue Policy and Administration, both technically overseen or 'backstopped' by the Fiscal Affairs Department (FAD). These two programs have collectively accounted for about half of PFTAC activity in recent years that has grown to two thirds by FY2020 following a substantial scaling-up of the Revenue program with additional funding provided by Australia. Two macroeconomic statistics advisors supported by the Statistics (STA) Department focus primarily on National Accounts issues (plus modest external sector issues) and GFS, accounting for 16 percent of PFTAC operations in FY2020. Two additional programs with sole advisors work on financial sector supervision (FSS) CD under the Monetary and Capital Markets (MCM) Department, and finally the Macroeconomic Analysis and Programming program supports effective medium-term frameworks, tools, and capacity that supports the work of the other programs and the IMF's surveillance mandate, and more recently support with the CBR initiative.

## RESULTS BASED MANAGEMENT

Our Results Based Management (RBM) framework was developed to categorize all IMF provided CD according to a small number of high-level objectives that expands into a set of typically targeted outcomes per objective. Each TA department has developed its own catalogue to ensure consistency in developing, documenting, and importantly reporting CD activities. The PFTAC program draws on elements of catalogues developed by FAD (PFM, Revenue Administration, and Tax

Policy), STA, and MCM, as well as a bespoke catalogue for the Macroeconomics program that is backstopped by APD. PFTAC works towards only a fraction of the CD areas covered by the entire IMF catalogue that covers more than 600 defined outcomes. During FY2020, the PFTAC programs were working towards 14 high-level objectives cited throughout this report, drilling down to 53 outcomes. (PFM works on 6 core objectives towards 10 outcomes; the Revenue program works on 2 core objective areas towards 10 outcomes; the FSS program works on 3 core objective areas towards 6 outcomes; the Real Sector Statistics program works on a single objective towards 15 outcomes; the GFS program works towards a single objective and 8 outcomes; and the Macroeconomics program also has a single objective towards 4 outcomes). We actively tracked and reported on the progress of 761 milestones in Phase V of which 413 were expected to be achieved during the period or earlier.

PFTAC is managed by a Coordinator, and CD is provided by the team of resident advisors with substantial expertise in their respective sectors and supported by four administrative employees and an economic analyst in our Suva office. The office space occupied by PFTAC for 25 years on the seventh floor of the Reserve Bank of Fiji building in Suva and shared with staff of the regional IMF Resident Representative office was refurbished during late 2018 and early 2019 at IMF expense, with all staff reoccupying the space in June 2019. The advisors are

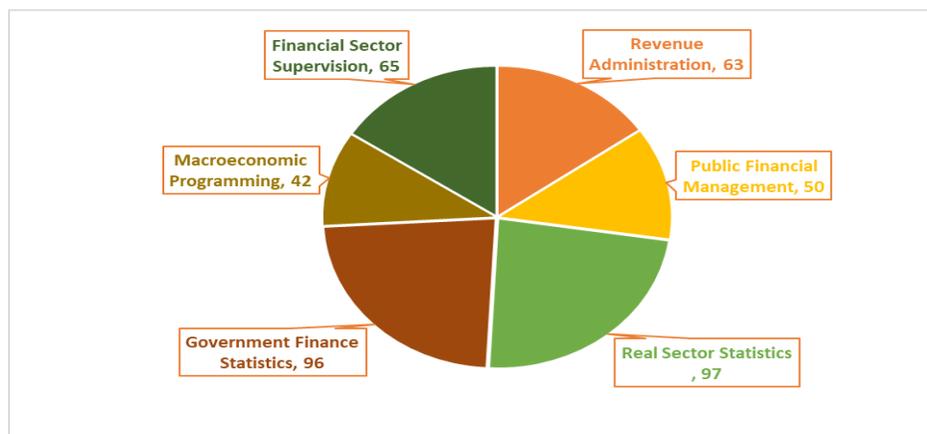
based in Fiji and travel extensively throughout the region, which allows them to develop rapport with country authorities and familiarity with national and regional contexts and needs.

On average, the resident advisors spend about half of their time each year on mission to member countries and the balance at the PFTAC office, maintaining an active dialogue with their counterparts following up on previous CD or preparing for upcoming missions or activities. The advisors also manage the short-term experts (STX) employed to assist with delivery of the CD programs. The skill mix of the advisors reflects the priority needs of the member countries. The Coordinator and advisors are assisted in delivering the CD program, finances, reporting, travel arrangements, workshop and conference logistics and other Centre activities by four locally engaged staff and an economic analyst.

## PARTNER COLLABORATION

Close PFTAC collaboration with regional partners is vital to leverage the impact of the PFTAC program. PFTAC's long and productive history of working closely together and jointly delivering training and even some TA with regional groups will continue. This includes the Pacific Association of Supreme Audit Institutions (PASAI), the Pacific Islands Tax Administrators Association (PITAA) on many tax topics along with the Oceanic Customs Organization (OCO),

**CHART 1. 413 SCORED MILESTONES DUE BY APRIL 2020 BY PROGRAM**



the Association of Financial Supervisors of Pacific Island Countries (AFSPC), and the University of the South Pacific (USP).

Working closely with regional development partners such as the ADB, the World Bank, regional organizations like the Pacific Islands Forum Secretariat (PIFS) and the Secretariat of the Pacific Community (SPC), as well as United Nations (UN) agencies such as the UN Development Programme (UNDP) and UN Economic and Social Commission for Asia and the Pacific (ESCAP), ensures that the comparative advantages and expertise of these organizations are melded with the economic and financial expertise of PFTAC to deliver well-rounded and comprehensive events for our respective, and mostly overlapping client bases. Some development partners can provide co-financing (like the ADB and UN/ESCAP) that may train more participants and/or accommodate additional PFTAC events than would

have otherwise been possible.

## **GENDER AND INCLUSIVENESS**

The importance of gender is integral to the PFTAC objective of promoting inclusive growth. In terms of training and other events, PFTAC proactively encourages beneficiary agencies to nominate suitably qualified female candidates, and similarly encourages and facilitates participants with disabilities. This has included making appropriate arrangements for mobility impaired participants at training events and seminars and ensuring accessibility of accommodation and venue facilities. PFTAC has participated in the Pacific Disability Forum in each of the past three years since 2017, an important annual multi-stakeholder dialogue event. A particularly important gender contribution by PFTAC during FY2020 was the pilot application of Gender Responsive PFM module under the Public Expenditure and Financial Accountability (PEFA) assessment that

PFTAC led in Tonga in November 2019 that was very favorably received with learnings now being taken forward by Tonga and also flowing through to Fiji.

The proportion of female training participants was 39.7 percent in FY2020, across 16 workshops and courses delivered by April 2020, although female participants predominated in six of these events in the PFM and Statistics topics, but only one event each from the Financial Sector and Revenue. PFTAC outreach through social media and other traditional channels highlights IMF research on a range of gender issues of macro-criticality, including work place participation, financial inclusion, and gender-based budgeting issues that is increasingly being reflected in the policy discussions under the IMF's surveillance role, and where member country interest and demand exists, through Capacity Development events provided regionally or customized to country needs.



Newly renovated PFTAC Office, Fiji, April 2020

# PFTAC PROGRAMS AND AREAS OF OPERATION

## REVENUE ADMINISTRATION

In the area of revenue policy and administration, PFTAC supports member countries to strengthen the capacities of tax administrations, mobilizing tax revenue, improving taxpayer compliance, and promoting citizens' ownership of their role as taxpayers.

### OBJECTIVES

- (1) Strengthened revenue administration management and governance arrangements
- (2) Strengthened core tax administration functions, including an accurate taxpayer base, quality taxpayer services supporting voluntary compliance, and improvements in filing, payment, and audit services
- (3) Improved legal frameworks

## PUBLIC FINANCIAL MANAGEMENT

In this area, the Center supports the planning and prioritization of PFM reforms based on the PEFA framework and assessments; strengthening legal frameworks; strengthening budget preparation, budget transparency, execution; and strengthening budget monitoring, reporting and accountability.

### OBJECTIVES

- (1) Improved PFM laws and effective institutions
- (2) Comprehensive, credible, and policy-based budget preparation
- (3) Improved budget execution and control supported by an efficient financial management information system (FMIS) and with responsive internal audit
- (4) Improved coverage and quality of fiscal reporting
- (5) Improved asset and liability management
- (6) Strengthened management of fiscal risks

## MACROECONOMIC PROGRAMMING

This program aims to improve macroeconomic policy advice to governments and central banks through more effective medium-term economic frameworks and forecasting capacity.

### OBJECTIVES

- (1) Well-functioning macroeconomic policy and institutions and improved macroeconomic policy advice to government through sound medium-term macroeconomic frameworks; strong institutions for policy making; improved public access to key macroeconomic and fiscal information; and sound macroeconomic surveillance and policy/ research available for policy making

## GOVERNMENT FINANCE STATISTICS

In this area, the Center supports the member states in compiling and harmonizing government finance statistics to ensure they are both reliable and consistent with international standards.

### OBJECTIVES

- (1) Strengthened compilation and dissemination of data on financial statistics for decision making
- (2) Enhanced transparency of financial statistics for decision making through strengthened dissemination via the Fund's Data Standard Initiative

## REAL SECTOR STATISTICS

In this area, the Center supports the member states in compiling national accounts that are robust and compliant with international standards and in implementing effective economic policy tools.

### OBJECTIVES

- (1) Strengthened compilation and dissemination of data on financial statistics for decision making

## BANKING REGULATION AND SUPERVISION

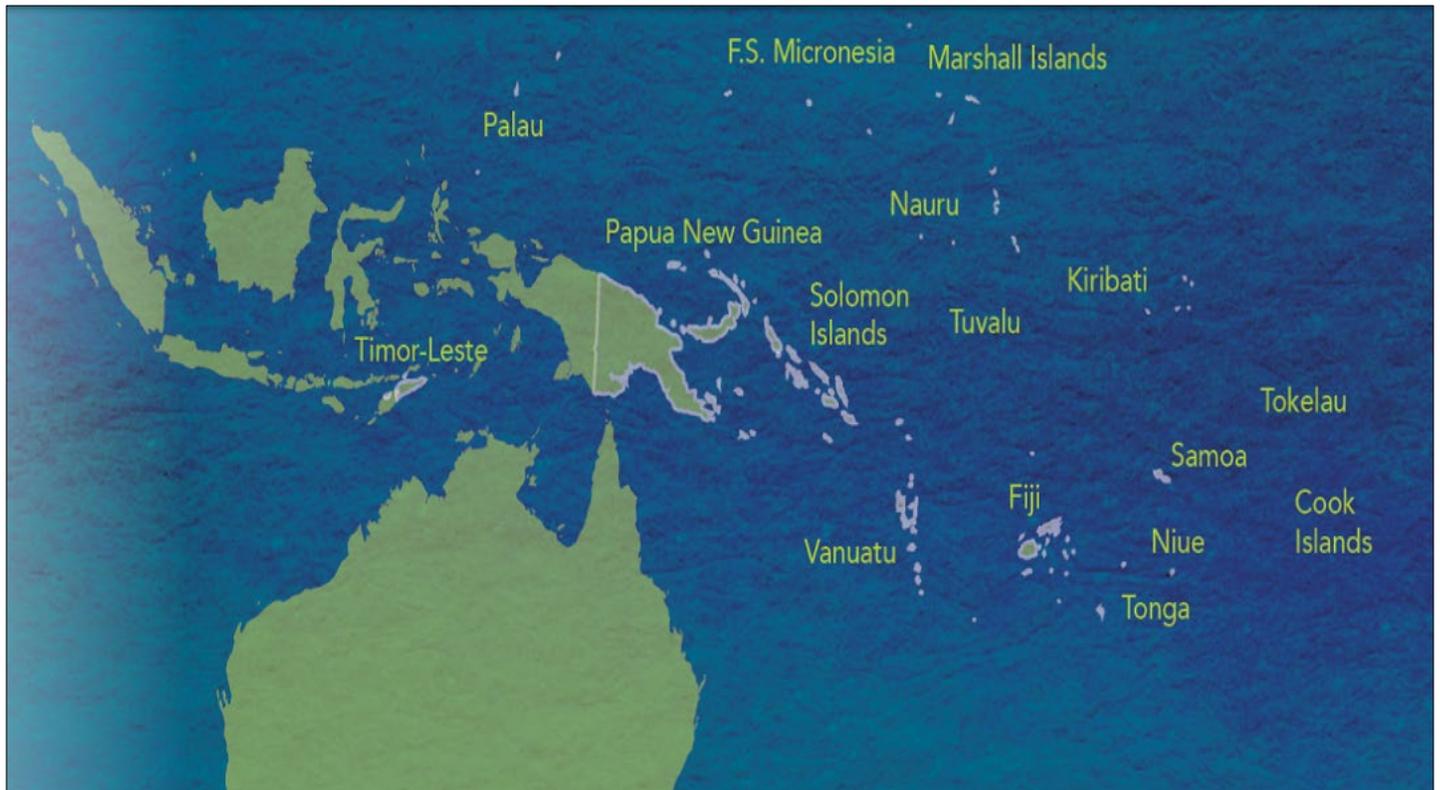
In this area, the Center helps the countries create resilience in their banking systems through sound regulation that helps promote financial stability and better access to finance.

### OBJECTIVES

- (1) Strengthened financial sector surveillance through upgrading of regulatory framework in line with international standards
- (2) Make more efficient use of supervisory resources to better oversee key risks in the banking system
- (3) Ensure that banks have strong capital and liquidity positions that adequately cover their risks and contribute to financial system stability
- (4) Improved supervisory effectiveness through enhanced capacity in IFRS knowledge related to provisioning

# PFTAC MEMBER COUNTRIES AND PARTNERS

## PFTAC MEMBER COUNTRIES



## PFTAC DONORS

ASIAN  
DEVELOPMENT  
BANK



KOREA



EUROPEAN  
UNION



AUSTRALIA



NEW  
ZEALAND



CANADA



SECTION II

# RESULTS

(MAY 2019 – APRIL 2020)



Government Finance Statistics Mission, PNG, January 2020

## A

SUMMARY  
AND OVERVIEW

FY2020 had been on track to equal or surpass FY2019 as a record year of CD delivery until COVID-19 developments emerged in February 2020 and began to adversely impact travel in the region, culminating in the suspension of almost all travel by IMF staff and experts from early March, and the postponement or cancelation of all group events including the 2020 SC meeting that was to be held in Niue in late March. While these challenges led to the postponement of 22 missions or events in the final months of FY2020, efforts were stepped up to remain engaged with member countries through remote CD delivery where practical. Training and workshop events have been less impacted given front-loading of program delivery earlier in FY2020.

### MAIN ACHIEVEMENTS

Multiple metrics can be used to measure CD, including inputs such as financial resources and personnel; activities like missions and training events; and outputs like mission reports, strategy documents and medium-term economic frameworks. However, outcomes are what ultimately matter to advance each member country and the region towards overarching objectives of inclusive and sustainable growth and macroeconomic and financial stability.

During Phase V, the six PFTAC programs cumulatively work towards 14 high level outcome objectives, six for PFM, two for Revenue, three for FSS,

and one each for the Macro and two statistics programs.

The progress towards completion of 413 predefined milestones that were expected to be achieved by the end of April 2020 have been tracked and summarized at Chart 2. Each milestone is scored from 1 (not achieved) to 4 (fully achieved) and are averaged when grouped as shown in Chart 3. This provides a snapshot of where the PFTAC programs are working within each country towards broadly targeted objectives, reflecting the progress towards completion of milestones that ultimately contribute to reaching the targeted outcomes. Other than the two statistics programs, at least half of all milestones for the other programs that were expected to be achieved by the end of FY2020 have been projected to have been fully or largely accomplished with further progress required in FY2021 for the remainder of the milestones. Box 1 then provides a summary of the main results achieved or underway during the year.

**CHART 2. PFTAC ACHIEVMENT OF 413 MILESTONES, FY2020**

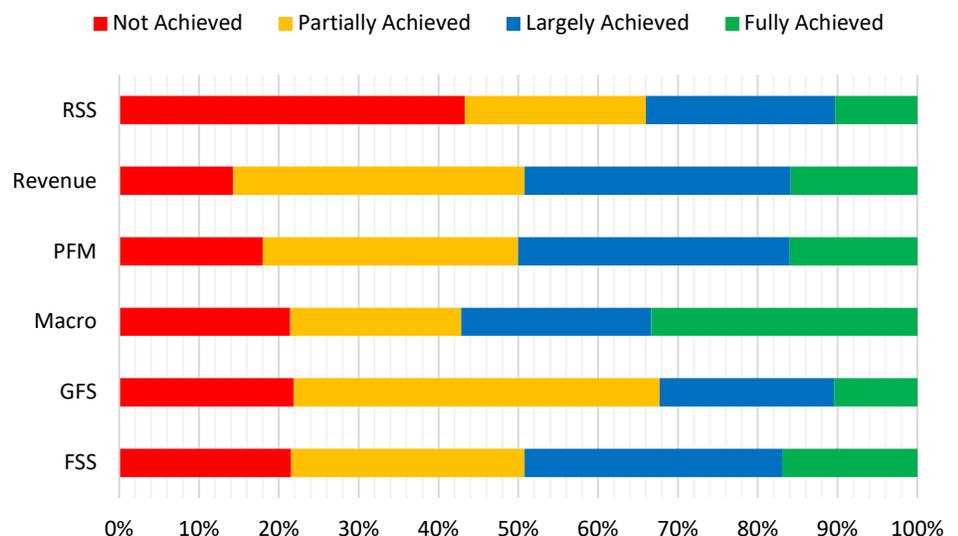
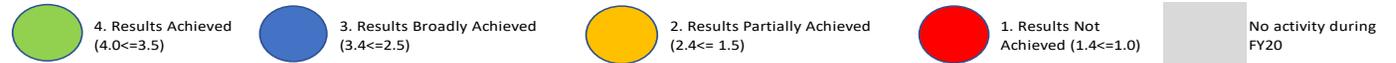


CHART 3. IMPLEMENTATION PROGRESS OF PFTAC'S LOGICAL FRAMEWORK AT APRIL 30, 2020



	PFTAC Region	Cook Islands	Fiji	FSM	Kiribati	Nauru	Niue	Palau	PNG	RMI	Samoa	Solomon Islands	Timor Leste	Tokelau	Tuvalu	Tonga	Vanuatu	
<b>Public Financial Management</b>																		
1. Improved PFM laws and effective institutions	Avg 2.7		Avg 3.5		Avg 2.5	Avg 1.5	Avg 2.0	Avg 1.0	Avg 3.5		Avg 2.5	Avg 1.0		Avg 2.5		Avg 3.3		
2. Comprehensive, credible, and policy-based budget preparation	Avg 1.3									Avg 1.4						Avg 1.0		
3. Improved budget execution and control	Avg 3.0		Avg 3.0								Avg 3.5					Avg 2.0		
4. Improved coverage and quality of fiscal reporting	Avg 2.5		Avg 2.5						Avg 3.0		Avg 2.5	Avg 2.0				Avg 3.0	Avg 2.5	
5. Improved asset and liability management	Avg 3.0											Avg 3.0						
6. Strengthened identification, monitoring, and management of fiscal risks	Avg 2.3						Avg 1.0				Avg 3.0							
<b>Revenue Policy and Administration</b>																		
1. Strengthened revenue administration management and governance arrangements	Avg 3.0	Avg 3.5	Avg 3.5		Avg 2.8			Avg 2.0		Avg 2.0	Avg 2.0	Avg 4.0			Avg 4.0	Avg 3.5	Avg 2.3	
2. Strengthened core tax administration functions	Avg 2.3	Avg 3.3	Avg 2.4	Avg 2.5	Avg 1.6					Avg 1.9		Avg 2.3					Avg 3.0	
<b>Financial Sector Supervision</b>																		
1. Develop/strengthen banking regulations and prudential norms	Avg 2.2	Avg 4.0		Avg 1.8	Avg 1.0			Avg 2.0	Avg 2.5	Avg 2.0	Avg 2.8	Avg 2.5	Avg 1.5		Avg 1.0		Avg 2.8	
2. Implement a risk-based supervision (RBS) system and upgrade other supervisory processes	Avg 3.0	Avg 3.3							Avg 2.8			Avg 3.0			Avg 3.3		Avg 3.0	
6. Improved financial stability via early detection of and effective and timely res	Avg 2.3		Avg 3.0								Avg 2.3					Avg 2.0		
Develop/ strengthen cybersecurity regulations and prudential norms	Avg 2.4		Avg 2.0													Avg 2.7		
<b>Macroeconomic Programming</b>																		
1. Well functioning macroeconomic policy and institutions: improved macroeconomic policy advice to government	Avg 2.7	Avg 3.0	Avg 1.0	Avg 3.0	Avg 1.0			Avg 1.0	Avg 3.7	Avg 1.6	Avg 3.8	Avg 3.8			Avg 2.4	Avg 2.7	Avg 2.6	
<b>Government Finance Statistics</b>																		
1. Strengthen compilation and dissemination of data on macroeconomic and financial statistics.	Avg 2.2	Avg 2.2	Avg 2.3	Avg 2.8		Avg 3.0		Avg 2.6	Avg 2.3	Avg 2.4	Avg 2.5	Avg 2.3	Avg 1.8		Avg 1.8	Avg 2.6	Avg 1.6	
<b>Real Sector Statistics</b>																		
1. Strengthen compilation and dissemination of data on macroeconomic and financial statistics.	Avg 2.0	Avg 2.4	Avg 1.9	Avg 1.4	Avg 2.6	Avg 2.0	Avg 1.3	Avg 2.5	Avg 2.4	Avg 1.0	Avg 2.3	Avg 1.8		Avg 3.0	Avg 1.7	Avg 2.2	Avg 2.0	

## BOX 1. MAIN RESULTS OF PFTAC TECHNICAL ASSISTANCE CENTER (MAY 2019 TO APRIL 2020)

### COOK ISLANDS

- Financial analysis processes developed to strengthen bank risk assessment framework.
- GFS compilation techniques refined to use administrative data sources.
- GDP rebase using the production approach and staff capacity built on rebasing principles and industry specific methods.
- Update of PFM policy consistent with draft legislation.
- Scaling up of revenue CD program: review of business and organization modernization plan, design of function based structure and audit plan, evaluate proposal to upgrade the IT system and on-time filing and payment strengthened.

### FIJI

- Compilation of Budgetary Central Government (BCG) GFS.
- GDP rebased using production approach and resumption of Quarterly National Accounts.
- Full in-country PEFA assessment and completion of PFM roadmap plus risk based internal audit training.
- Revenue support on compliance improvement strategy, IT quality assurance review, debt and returns management and updated tax legislation.

### FEDERATED STATES OF MICRONESIA (FSM)

- Continuation of CD support to overhaul banking legislation.
- GFS for government operations compiled and disseminated annually.

### KIRIBATI

- Compilation, rebasing, and benchmarking capacity increased.
- Participation in Article IV staff visit and consideration of recommendations for PFM improvements.
- Review of compliance improvement strategy and modernization project plan, strengthening of taxpayer services and filing and payment compliance.

### NAURU

- National Chart of Accounts (CoA) mapped to GFS and compilation of institutional unit table for public sector.
- Support for IPSAS cash reporting.
- Tax administration organizational enhancement and core tax functions reviewed.

### NIUE

- Assistance to draft new PFM Bill.
- Drafting assistance to modernize the Income Tax Act and Tax Administration Act.

### PALAU

- Frequent compilation of BCG GFS and coverage extended to General Government (GG).
- Strengthening of on-time filing and payment and management of tax arrears with a review of reform progress.

### PAPUA NEW GUINEA

- Finalization of Supervision Framework Enhancement Program reform of risk rating and assessment framework.
- Improvements to GFS compilation data for CoA mapping and quarterly reporting.

- Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination.
- Macroeconomic support on GDP forecasting.
- Completion of full in-country national PEFA assessment.
- PFTAC participation in HQ led mission to review Medium Term Revenue Strategy (MTRS) reforms.

### REGIONAL

- Review of the PFTAC PFM program launched - led by FAD to review PFM reform efforts and PFTAC's contribution since 2009.
- Joint Pacific/Caribbean Seminar on *Strengthening Climate Resilience: The Role of Public Finance*
- Joint Real Sector Statistics (RSS), Revenue, and Macro workshop on *Facilitating Exchange and Use of Administrative Data (Tax and Social Security)* for National Accounts.
- Combined Macro and PFM workshops on *Managing Fishing Revenues* with ADB and *Fiscal Frameworks in Pacific Countries*, jointly organized with STI.
- Workshop on *Improving Budget Document Transparency* in conjunction with UNDP.
- A series of six regional Revenue program events with PITAA.
- *AFSPC Governance and Capital Forum* jointly delivered with ADB
- *Cyber Risk Regulation* Workshop held in refurbished PFTAC office conference room.
- GFS training and a sub-regional national account training on Seasonal Adjustments

## REPUBLIC OF MARSHALL ISLANDS (RMI)

- Diagnostic assessment of Marshall Islands Development Bank.
- FY2018 BCG data compiled and coverage extended to GG.
- Staff capacity increased on benchmarking and rebasing.
- Ongoing efforts to support use of Marshall Islands Fiscal Model in budget preparation and policy analysis.
- Improvements to compliance improvement strategy, registration processes, taxpayer services and management of arrears and returns filing.

## SAMOA

- Completion of FY2018 GFS GG consolidation.
- Training to improve reliability of national accounts estimates.
- Support provided on use of Samoa Economic and Revenue Forecasting (SERF) model.
- Strong progress on PFM reforms including development of PFM Roadmap, risk-based procurement audit and improvements to financial reporting. Support to provide improvements to annual budget documentation.
- Tax policy recommendations to compensate PACER Plus trade tax losses, on-time filing and payment, and strengthen taxpayer services, and Industry Partnership.

## SOLOMON ISLANDS

- Commenced work on developing prudential standards and risk based bank supervision system.
- Steps to expand GFS coverage to GG and the start of expanded

coverage of public sector debt statistics (PSDS).

- Updates to GDP forecasting and Solomon Island's Financial Programming Framework.
- PFTAC participation in Article IV, and improvements to Fixed Asset Reporting.
- Major expansion in revenue efforts including: review and update of recent reforms, implementation of large taxpayers office and function based structure, renewal of compliance improvement strategy, measures to improve management of tax arrears and outstanding returns, audit strategy and function.

## TIMOR-LESTE

- Annual GFS compilation improved with reduced statistical discrepancies.

## TONGA

- Completion of a feasibility study on introduction of Quarterly National Accounts (QNA).
- Full in-country PEFA completed, training provided on risk based internal audit for payroll and a Policy and Framework on Fixed Assets established along with PFTAC participation in Climate Change Policy Assessments.
- Major scaling up of the Revenue program relating to PACER Plus: reviewing reform progress, enhanced large taxpayer office approach and Industry Partnership program, renewal of compliance improvement strategy, improvements to filing and payment compliance, upgrade of tax audit function, support of auditor development, and training with legal assistance on Consumption Tax legislation.

## TUVALU

- Assistance to develop a banking supervision framework.
- Prudential Reporting being developed to strengthen bank risk assessment framework.
- Improvements to BOP coverage and methodology with assistance on national accounts rebasing.
- Updated GDP estimates compiled and ready for publication.
- Joint support with the Pacific Regional Infrastructure Facility (PRIF) to improve the multiyear budget process for infrastructure and capital.
- Tax administration efforts focused on review of compliance improvement strategy and modernization plan, strengthening on time filing and payments and taxpayer services, and a roll-out of VAT audit toolbox.

## VANUATU

- Risk based supervision system strengthened: credit union regulatory reform, risk rating and supervisory action follow-up, and assistance in developing a financial analysis process that effectively identifies risk.
- Quality of GFS improved with reduced statistical discrepancy.
- Staff capacity increased through training on GDP(E) compilation & rebasing
- Treasury business operations reviewed to improve efficiency of financial reporting.
- Revenue reforms include an updated compliance improvement strategy, review of reform progress, improvements to taxpayer services, plans to strengthen on time filing and payment, and audit function with legal support on tax administration law and regulation.

Key indicators in execution of the FY2020 work program and with respect to PFTAC operations and governance were:

**1,764**  
field person days of CD delivered

**492**  
professional government staff (of which 44 percent were women) were trained from the 16 PFTAC member countries in 16 regional workshops totaling 2,015-person days of training

**68%**  
of CD was fiscal, either PFM or Revenue (1,207 of 1,764 field days), with 45% just Revenue (799 days)

**124**  
activities executed by PFTAC advisors and experts, comprising 16 seminars and 108 missions to member countries of 1 – 2 weeks duration

**29%**  
of CD is delivered by the team of seven resident PFTAC advisors (508 of 1,764 TA field days), and 71 percent by members of the IMF's roster of short-term experts

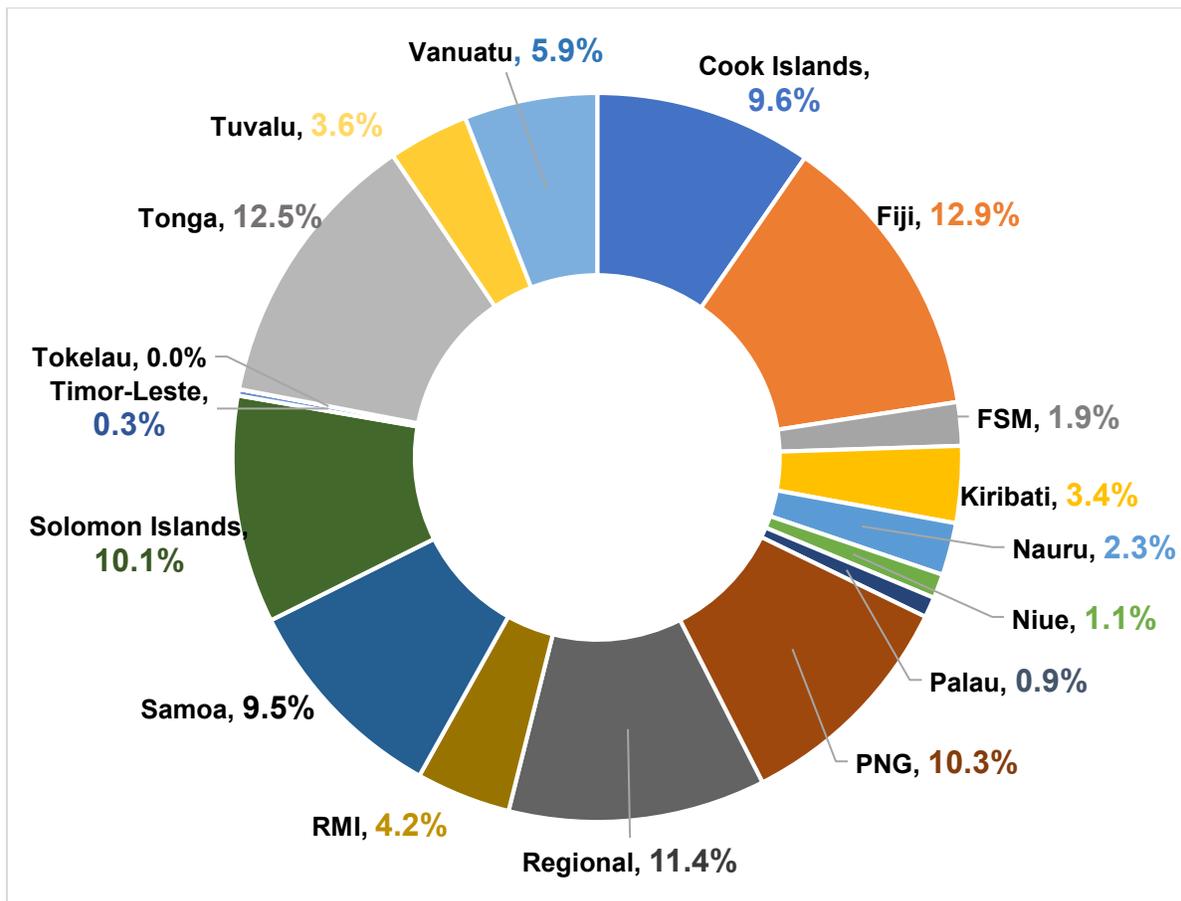
**\$ 32.2 million**  
contributions received of approx. US\$ 36.3 million pledged by six donors and 14 of 16 PFTAC countries so far

**76%**  
execution rate of the work plan (1,764 TA days versus 2,336 planned), and 77% of missions (124 of 161 planned)

**\$ 5.87 million**  
of projected expenses from a budget of US\$ 7.95 million (approx. 74%), excluding the 7% trust fund fee

**34%**  
of resources (596 days) provided to seven PFTAC countries designated as fragile (Kiribati, FSM, RMI, PNG, Solomon Islands, Timor Leste, and Tuvalu)

CHART 4. FY2020 TOTAL TECHNICAL ASSISTANCE DAYS BY COUNTRY (1,764 DAYS)



## **STRONG WORKPLAN EXECUTION IMPACTED BY COVID-19 DEVELOPMENTS**

Program execution in FY2020 had been on track to parallel FY2019 at an equal record level of CD delivery and budget utilization that was projected at the end of February to reach an April 30, 2020 outturn of 2,126 TA field days versus the FY2019 outturn of 2,060 TA days, but with a slightly lower mission/activity count of 144 versus 153 in FY2019, as well as an overall 90 percent budget outturn. COVID-19 travel restrictions resulted in an approximate 14 percent reduction in the number of missions delivered during March and April 2020 and 12 percent reduction in TA days over the adjusted workplan, translating into postponement or cancelation of 22 missions and 271 field TA days, leading to an ultimate FY2020 outturn of 124 missions/activities and 1,764 field TA days. This is a net reduction after accounting for several missions that delivered remotely.

The program execution rate was around 77 percent (down from a projection of 90 percent pre-COVID-19), slightly lower as measured in TA field days (76 percent, down from 91 percent pre-COVID-19) versus delivery of planned missions/activities (77 percent, down from 89 percent pre-COVID-19). At the program level, the GFS program had the highest outturn of 95 percent of planned TA days and 88 percent of planned missions. The large Revenue program (including legal) had a mission outturn of 83 percent and 78 percent of TA days. In terms of TA days, the FSS program delivered 81 percent of the plan, 72 percent for PFM, 70 percent for RSS, and 59 percent for the Macro plan. The mission outturn was 73 percent of the PFM plan, 72 percent for FSS, 71 percent for Macro, and 68 percent of the RSS plan.

Staffing stability of the resident advisor team facilitated strong execution notwithstanding recent challenges, although the local administrative support team experienced some disruption after many years of little change. A changeover of Macro advisors occurred during the December 2019 to February 2020 period with a handover between the outgoing

and incoming advisors, albeit shorter than the expected six-month overlap. Two of the team of seven advisors were due to move to new Regional Technical Assistance Center (RTAC) assignments in April 2020, namely Mr. Benjamin Stefanou the FSS advisor after almost four years at PFTAC, and Ms. Celeste Kubasta, one of two PFM advisors over the past two years. Their moves were delayed by COVID-19 until end-July and end-May 2020 respectively. Their successors were recruited to start in July and August 2020 respectively.

For more than five years, a team of four locally employed administrative staff has supported PFTAC operations, expanded by the August 2018 recruitment of an economic analyst, Ms. Shane Prasad. CD delivery volume is considerably higher than in the fourth and earlier phases, rising steadily throughout Phase V until the latest disruption, particularly from the scaling-up of the Revenue program. The growing workload was already placing the local support team under pressure before the departure of the two junior team members, Ms. Rusila Bituwaqa in May 2019 and Mr. Josaia Nakete in January 2020. The remaining two more senior and very experienced staff, Ms. Nina Samuela and Ms. Elenoa Bogiwalu both held the grade of senior administrative assistant until recently, and unlike all other IMF CD centers, PFTAC did not have a designated Office Manager.

Following approval to create an Office Manager position at a grade above senior administrative assistant, the position was competitively advertised for internal and external applicants that ultimately led to the promotion of Ms. Nina Samuela from February 1, 2020, and a little later, one of the external applicants, Ms. Pretti Lata was recruited as an administrative assistant. Recruitment of a replacement for Mr. Josaia Nakete to complete the expansion of the administrative team from four to five staff is on hold until operations return to normal after the COVID-19 crisis. Salaries and benefits for the local administrative staff are financed by the IMF, with donor and member financing only covering the salary of the economic analyst position following the endorsement of the 2018 SC meeting.

**STX UTILIZATION** was marginally higher in FY2020 over FY2019, a trend observed throughout Phase V. For each day of LTX field TA delivered in FY2017, 1.33 STX days were delivered, growing to a ratio of 1.47-to-1 in FY2018; 2.32-to-1 in FY2019, peaking at 2.47-to-1 in FY2020; with a reduction expected in FY2021 to 1.92-to-1 day. This is mostly due to the expansion of the revenue program where the number of STX days has almost doubled since FY2018, and the number of LTX field TA days almost halved from the much heavier backstopping effort of the resident revenue advisor in arranging and overseeing the much larger STX program. Four PFTAC programs had an increase in the average mission duration, particularly the STX-heavy Revenue program (up 8 percent from 13 days in FY2019 to 14.0 days in FY2020) and the PFM program (up 20 percent from 14.2 days to 17.0 days due to PEFA assessment missions), and slightly longer Macro program missions (up from 8.8 to 9.0 days) and similarly for the GFS program (up from 14.7 to 15.1 days). Average mission duration for the FSS program declined 10 percent (15.8 to 14.2 days) and 11 percent for the RSS program (15.1 to 13.5 days).

At least half of each advisor's time is usually spent in Suva at PFTAC in managing their respective programs including backstopping the missions and activities of STX. The number of LTX backstopping days in FY2020 is significantly higher as travel was already impacted in February before being fully suspended in March and April 2020, grounding the team in Suva. LTX backstopping days are also tracked and apportioned as accurately as possible to the beneficiary country receiving the advisors' attention, or otherwise categorized as focused on regional issues such as preparation for regional workshops or general reporting. This added 1,015 TA days of LTX time spent at PFTAC in addition to 508 TA field days while on mission, a total of 2,779 TA days, the approximate equivalent of 12 full-time equivalent (FTE) person-years. Two charts illustrate the share of TA by country, the pie chart reflects only 1,764 field mission days, while the bar chart also includes the apportioned LTX time at PFTAC that totals 2,779 TA days.

**TABLE 1. PFTAC TA DELIVERY BY STX/LTX DAYS AND MISSIONS: FY17, FY18, FY19, FY20 (Act.), FY21 (Plan)**

Program	STX Days					LTX Days					Total TA Days					Missions				
	FY17	FY18	FY19	FY20	FY21	FY17	FY18	FY19	FY20	FY21	FY17	FY18	FY19	FY20	FY21	FY17	FY18	FY19	FY20	FY21
Macroeconomic Programming	0	0	11	0	44	164	137	121	90	155	164	137	132	90	199	14	16	15	10	19
Financial Sector Supervision	154	167	198	131	223	88	88	55	54	124	242	255	253	185	347	20	15	16	13	36
Govt Finance Statistics	0	50	69	29	29	0	113	78	77	102	0	163	147	106	131	0	11	10	7	13
Real Sector Statistics	249	170	152	87	105	131	119	89	89	134	380	289	241	176	239	25	21	16	13	21
Public Financial Management	187	308	285	253	265	173	196	184	155	212	360	504	469	408	477	31	37	33	24	35
Revenue (incl Legal)	301	395	726	756	869	111	87	92	43	71	412	482	818	799	940	44	37	63	57	64
<b>GRAND TOTAL</b>	<b>891</b>	<b>1090</b>	<b>1441</b>	<b>1256</b>	<b>1535</b>	<b>667</b>	<b>740</b>	<b>619</b>	<b>508</b>	<b>798</b>	<b>1558</b>	<b>1830</b>	<b>2060</b>	<b>1764</b>	<b>2333</b>	<b>134</b>	<b>136</b>	<b>153</b>	<b>124</b>	<b>188</b>

Beyond regionally related efforts (including (sub) regional workshops) that consumed 18.6 percent of TA days, five countries (**Fiji, Tonga, PNG, Solomon Islands, and Cook Islands**) benefitted from 49.8 percent of total TA days in FY2020.

A further five countries (**Samoa, Vanuatu, RMI, Tuvalu, and Kiribati**) accounted for

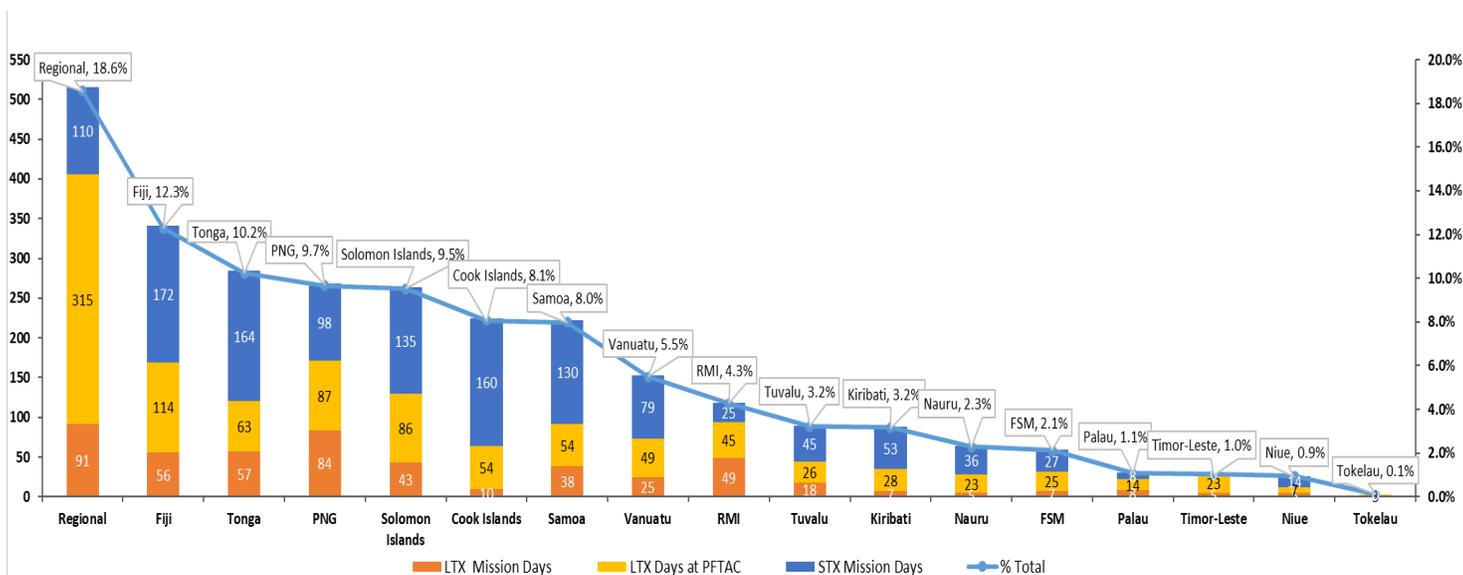
the next 24.1 percent of PFTAC resources.

The balance of 7.6 percent of TA delivery is shared by the remaining six PFTAC member countries (**Nauru, FSM, Palau, Timor Leste, Niue, and Tokelau**).

CD efforts for the seven PFTAC members designated as fragile states (**Kiribati,**

**FSM, RMI, PNG, Solomon Islands, Timor Leste, and Tuvalu**) accounted for 33 percent of field TA delivery, down from 36 percent in FY2019, a result of late postponement of FY2020 missions to Timor Leste, PNG, and two each to Kiribati and the Solomon Islands due to COVID-19 travel restrictions.

**CHART 5. FY2020 EXPERT DAYS DELIVERING AND BACKSTOPPING TA**

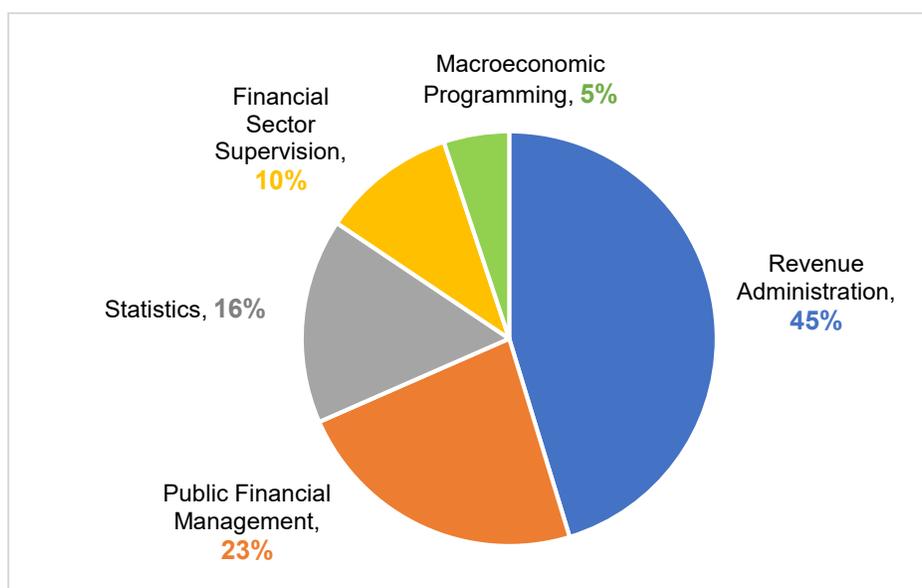


\* 2,779 TA Days (includes 508 LTX and 1,256 STX Mission days plus 1,015 LTX Backstopping days at PFTAC)

**TABLE 2. EXECUTION OF WORK PROGRAM DURING FISCAL YEAR 2020 (IN PERSON-DAYS)**

Country/Region/Seminar	May 2019 through April 2020					Planned LTX & STX Field Days	Execution rate (In percent)
	TA Days Executed						
	Resident advisors		Short-term experts	Total			
	At PFTAC	In-Field					
COOK ISLANDS	54	10	160	224	198	86	
FIJI	114	56	172	342	295	77	
KIRIBATI	28	7	53	88	94	64	
MARSHALL ISLANDS (RMI)	45	49	25	119	105	70	
MICRONESIA (FSM)	25	7	27	59	63	54	
NAURU	23	5	36	64	39	105	
NIUE	7	5	14	26	44	43	
PALAU	14	8	8	30	72	22	
PAPUA NEW GUINEA (PNG)	87	84	98	269	189	96	
SAMOA	54	38	130	222	206	82	
SOLOMON ISLANDS	86	43	135	264	261	68	
TOKELAU	3	0	0	3	0	0	
TIMOR-LESTE	23	5	0	28	15	33	
TONGA	63	57	164	284	266	83	
TUVALU	26	18	45	89	89	71	
VANUATU	49	25	79	153	132	79	
Regional work & workshops	315	91	110	516	268	75	
<b>GRAND TOTAL</b>	<b>1015</b>	<b>508</b>	<b>1256</b>	<b>2779</b>	<b>2336</b>	<b>76</b>	
Fragile states	320	213	383	916	816	73	

**CHART 6. FY2020 TOTAL 1,764 MISSION DAYS BY PROGRAM**



**TABLE 3. IMPLEMENTATION OF THE FISCAL YEAR 2020 WORK PROGRAM (IN NUMBER OF ACTIVITIES)**

Country/Region/Seminar	Activities planned	Activities executed	Execution rate
COOK ISLANDS	14	12	86
FIJI	16	12	75
KIRIBATI	8	5	63
MARSHALL ISLANDS (RMI)	8	7	88
MICRONESIA (FSM)	3	3	100
NAURU	3	3	100
NIUE	4	1	25
PALAU	5	3	60
PAPUA NEW GUINEA (PNG)	9	9	100
SAMOA	12	10	83
SOLOMON ISLANDS	16	12	75
TOKELAU	0	0	0
TIMOR-LESTE	2	0	0
TONGA	19	17	89
TUVALU	8	6	75
VANUATU	11	8	73
Regional seminars and courses	23	16	70
<b>GRAND TOTAL</b>	<b>161</b>	<b>124</b>	<b>77</b>
Fragile States	54	42	78



Commencing the PEFA Assessment for Fiji, September 2019

**TRAINING EVENTS** fell marginally from 18 in FY2019, to 16 in FY2020 against an original plan of 23 events. Overall, 492 government officials were trained (down 10 percent from FY2019 at 550 officials), but with 2,015 training days in FY2020 essentially unchanged from 2,019 training days in FY2019 due to a slightly longer average event duration of 4.2 days in FY2020 versus 3¾ days in FY2019. While several training events in the original workplan were subsequently dropped or earlier postponed to FY2021, the heavy delivery of events in the first half of FY2020 minimized the disruption from COVID-19 in early 2020 with only two further events needing to be postponed until FY2021.

Fiji hosted the most events with seven events held in Nadi and two in Suva; with six elsewhere in the Pacific (two in RMI and one each in FSM, PNG, the Solomon Islands, and Tonga); and one outside the region in Washington DC.

All programs convened at least one training event in FY2020, with the Revenue program hosting the most with seven events, reflecting the ongoing expanded program with topics covering most of the core tax administration functions at the heart of the Revenue program that are essential to an efficient and effective revenue agency, including Compliance Improvement Strategies, tax administration leadership and management, operational management of debt and return filing, operational management of taxpayer services, strengthening taxpayer audit, and an additional event on management of the audit function. All Revenue program training events are organized and delivered collaboratively with PITAA with topic selection reflecting the priorities expressed by the member countries through their regional organization. In an innovative and cross-cutting approach, a combined event following the annual PITAA conference in Majuro was delivered jointly between the Revenue,

RSS, and Macro programs on the challenges of *Facilitating the Exchange and Use of Administrative Data for National Accounts*. As the timely and confidential exchange of tax data between the national tax administration and the national statistical office is crucial for GDP compilation, the event provided a platform for countries to share their experience where these arrangements work effectively with several PICs where challenges have arisen recently.

Following the highly successful joint Caribbean and Pacific revenue mobilization conference in July 2018, another joint event of PFTAC and the Caribbean Technical Assistance Center (CARTAC) was convened in December 2019 at IMF headquarters in Washington DC by the Fiscal Affairs Department with financial support from the Government of Japan on the *Role of Public Finance in Strengthening Climate Resilience*.

**TABLE 4. FY2020 WORKSHOPS/ SEMINARS**

Sector	Partner	Location	Topic	Duration (Days)	Male	Female	Total	Training Days
Macro/ PFM	STI	Port Moresby, PNG	Fiscal Frameworks in Pacific Countries	5	15	9	24	120
Macro/ PFM	ADB	Honiara, Solomon Islands	Managing Fishing Revenues	5	6	11	17	85
PFM	UNDP	Suva, Fiji	Improving Budget Document Transparency	4	13	20	33	132
PFM	CARTAC/ FAD	Washington	Joint Caribbean/ Washington Seminar on Strengthening Climate Resilience: The Role of Public Finance	3	15	12	27	81
Revenue	PITAA	Pohnpei, FSM	Audit Methods and Procedures	4	13	3	16	64
Revenue	PITAA	Nadi, Fiji	Introducing and Managing Effective Compliance Improvement Strategies	4	22	14	36	144
Revenue	PITAA	Majuro, RMI	Annual PITAA Heads Meeting	2	29	15	44	88
Revenue	PITAA	Nadi, Fiji	Managing Modern Revenue Administration	4	29	15	44	176
Revenue	PITAA	Nadi, Fiji	Audit Managers Workshop	4	24	12	36	144
Revenue	PITAA	Nadi, Fiji	Management of Debt and Returns for Operations Managers	5	16	16	32	160
Revenue	PITAA	Nadi, Fiji	Management of Taxpayer Services for Operations Managers	4	12	8	20	80
FSS		Suva, Fiji	Cyber Risk Regulation & Supervision Project	5	10	6	16	80
FSS	ADB	Nuku'alofa, Tonga	AFSPC Meeting & Governance and Capital Workshop	5	19	22	41	205
RSS/ Macro		Nadi, Fiji	National Accounts	5	12	22	34	170
RSS/ Revenue/ Macro		Majuro, RMI	Facilitating Exchange and Use of Administrative Data for National Accounts	3	26	11	37	111
GFS		Nadi, Fiji	Government Finance Statistics Training	5	16	19	35	175
<b>TOTALS</b>				<b>67</b>	<b>277</b>	<b>215</b>	<b>492</b>	<b>2015</b>

Training effectiveness is enhanced through collaboration across PFTAC programs with the Macro program events linking up with the PFM program on two occasions with a workshop in Honiara on Managing Fishing Revenues that followed an impactful FY2018 event held in Majuro and a Port Moresby Fiscal Framework training event delivered jointly with STI staff. The Macro advisor also contributed to a National Accounts workshop under the RSS program.

Several events were delivered collaboratively with development partners who bring specific inputs to complement the expertise of PFTAC and often co-funding. An example is the role and support of the UNDP in a workshop to strengthen Budget Documentation Transparency that included parliamentary staff beyond the usual finance ministry counterparts of PFTAC. Likewise, the ADB contributed through two distinctly different topics, namely the Managing Fishing Revenues event and a financial sector workshop in Nuku'alofa following the annual AFSPC meeting .

## **CAPACITY DEVELOPMENT AND THE IMF'S SURVEILLANCE ROLE**

CD is one of the Fund's three core activities, along with lending and surveillance. But what is CD? Under the Fund's Articles of Agreement, *'if requested, the Fund may decide to perform... technical services that are consistent with the purposes of the Fund.'* As such, Fund CD is voluntary for both the IMF and its members based on members' requests, i.e. it is demand driven. CD supports members' efforts to establish the institutions and human capacity necessary to develop and implement sound macroeconomic and financial policies. CD helps mitigate risks, leverage growth opportunities, and narrow developmental gaps. CD is

delivered through several modalities including TA, peer-to-peer events and workshops, as well as classroom and online training in areas of Fund expertise largely related to fiscal, monetary and financial sector, statistical, legal, and general macroeconomic topics.

A core responsibility of the IMF is to oversee the international monetary system and monitor the economic and financial policies of its 189 member countries, an activity known as surveillance. As part of this process, which takes place at the global, regional, and country levels, the IMF identifies potential risks to stability and recommends appropriate policy adjustments needed to sustain economic growth and promote financial and economic stability. Vigilant monitoring by the IMF is essential to identifying stability and growth risks that may require remedial policy adjustments. Moreover, international cooperation on these efforts is critical in today's globally integrated economy, in which the problems or policies of one country can affect many others. IMF monitoring includes both bilateral surveillance, focused on individual member countries, and multilateral surveillance, or oversight of the global economy.

As noted in the 2019 Annual Report, the Fund completed a CD Strategy Review in 2018 that focused on two key mutually reinforcing objectives. First, the impact of Fund CD needs to be increased by further strengthening integration with the Fund's policy advice and lending operations, while continuing to make progress in framing CD through comprehensive strategies tailored to each member's needs, capacity, and conditions, focusing on implementation and outcomes. Stronger coordination between CD and the Fund's other core functions will better connect CD with

countries' risks and vulnerabilities and ensure surveillance and lending integrate lessons from CD more effectively. Second, the efficiency of CD needs to be increased by improving CD processes and systems. This will enhance transparency and strengthen the basis for strategic decision making. In this respect, the Fund is making a major investment in streamlining processes and systems to manage and administer CD through the CD Management and Administration Program (CDMAP) summarized below, with the first release of software and changes beginning to take effect from August 2020 with full implementation from the start of FY2022 in May 2021.

Measures to strengthen the integration of CD and surveillance continue to expand and evolve. The PFTAC coordinator and experts selectively join the Article IV team policy discussions with the authorities on issues where PFTAC delivered CD is important. During FY2020 this included missions to Kiribati, Nauru, the Solomon Islands, and in Tonga the PFTAC PFM advisor contributed to a Climate Change Policy Assessment (CCPA) mission linked to the Article IV mission. Other macro-critical issues arising from surveillance policy discussions where CD from PFTAC can be impactful beyond climate change include revenue mobilization priorities in many countries; fiscal reform priorities, particularly emerging from PEFA assessments that PFTAC plays a regional leadership role; strengthening forecasting and medium-term macroeconomic frameworks through hands-on TA and through customized training, often with STI that utilizes case studies drawing on national data and models; and addressing statistical data and capacity deficiencies.

## BOX 2: THE FUND'S CAPACITY DEVELOPMENT MANAGEMENT AND ADMINISTRATION PROGRAM (CDMAP)

### What is CDMAP?

The Capacity Development Management and Administration Program (CDMAP) will strengthen the foundations for the Fund's CD activities – one of its three core activities now accounting for about a third of its overall spending. It will:

- Address weaknesses in processes and systems that have not kept pace with the rapid increase in CD in recent years.
- Make CD administration easier and more efficient, while providing better, more easily accessible information on CD plans, budgets and results (using the Fund's Results-Based Management, or RBM, framework), supporting better decisions on use of CD resources to better serve members.
- Support better interdepartmental collaboration and access to the comprehensive, shared information base that teams need to support members effectively.

The project is phased with a first release in July 2020 and two additional phases through mid-2021. It will be **fully operational for FY22 planning and execution** and beyond. FY21 operations will be executed using the existing systems and procedures.

### Why is CDMAP Important?

Effectively meeting our members' needs requires better integration of our capacity development (CD), surveillance and lending activities, and more efficient management of CD. Easier access to CD information and streamlined processes surrounding management of CD—the central objectives of CDMAP—are fundamental to this effort.

Investments in systems and processes to support Capacity Development (CD) management have not kept pace with the recent growth in CD. As a result, we have fragmented systems and data, manual processes, and workarounds. CDMAP will address these weaknesses and thereby help ensure CD is well integrated with the Fund's surveillance and lending and well-targeted to member countries' needs.

### What are the Benefits of CDMAP?

Key enhancements to IMF CD management include:

- A country-focused and results-based approach to CD planning and delivery.
- A digital form to easily capture and process our members' new CD demands.
- Real-time visibility into existing CD demand and ongoing projects to ensure optimal internal coordination, including between HQ and RCDC activities.

For RCDC staff, CDMAP will provide better planning and monitoring tools as well as comprehensive access to information on CD delivery in countries which they serve, allowing greater alignment and collaboration across all IMF CD delivery modalities and ensuring full alignment of workplans with Fund-wide priorities.

### What & When



### BOX 3: SURVEILLANCE AND CD INTEGRATION - SAMOA'S ARTICLE IV CONSULTATION SHOWCASES THE 'TRINITY' OF CD SUCCESS.<sup>1</sup>

The IMF country team visited Samoa for the 2020 Article IV Consultation in February. Three important groups ('trinity') stand behind the efforts and successes observed, namely the Samoan authorities themselves, the IMF team for Samoa, and our IMF capacity development (CD) colleagues, particularly from PFTAC.

The Samoan authorities maintain strong engagement with the IMF, through the annual Article IV Consultation and CD programs. The Ministry of Finance (MOF) and the Central Bank of Samoa (CBS) work very closely together, aided by strong leadership and senior management teams who push through necessary reforms, supported by highly dedicated staff at the MOF, CBS, and other ministries and agencies who diligently take forward key recommendations and interact closely and effectively with the IMF.

IMF experts contribute from behind the scenes, delivering CD across a wide array

of programs. At the forefront of the CD programs, PFTAC plays the largest role, with complementary support by STI, and the CD Office in Thailand (CDOT), plus functional IMF departments at headquarters.

The IMF Samoa team greatly appreciates the CD support and showcases the authorities' efforts and seeks ways to integrate the work into the Article IV consultation. Examples include: (i) implementing international data standards (e.g. the 2014 GFS Manual and the International Investment Position); (ii) building a roadmap for PFM reforms; (iii) further improving cash management and financial reporting of government operations; (iv) strengthening the medium-term fiscal framework with the use of the SERF model; (v) continuing efforts to implement the 2015 FSAP

key recommendations; and (vi) introducing GDP by the expenditure approach. These programs are all integral parts of a broader IMF CD strategy that help the Samoan authorities implement comprehensive, growth-promoting macroeconomic policies, while safeguarding debt sustainability and financial stability.

The Samoan tradition founded by the trinity of catalysts will continue!



**CD WORKPLAN MANAGEMENT** has historically had an annual focus through the regional RAP with detailed planning covering the IMF fiscal year running from May 1 to April 30. However, it increasingly covers a longer horizon to include programmatic plans in the second and subsequent years. PFTAC, like all CD centers have finite funding cycles, with Phase V concluding in April 2022 at the end of FY2022. Thus, any longer-term plans are indicative and predicated on successful fundraising for a successor phase.

The PFTAC workplan is just one component of the RAP for APD, along with workplans from other regional IMF centers in China, India, Thailand, and Singapore, as well as for CD delivered directly from Washington based functional departments (e.g. FAD, LEG, MCM, and STA). Development of the RAP is

launched in December under the leadership of the respective APD mission chiefs based on their consultations with country authorities about their CD needs to assist in the implementation of the Fund's policy advice and the authorities' own reform and capacity building priorities. With all but three of the PFTAC advisors plus the coordinator visiting IMF headquarters in Washington in December 2019 for other purposes, preparation of the FY2021 workplans benefited from in-person meetings with each APD country team and mission chief, linking in the three remaining advisors in Suva via video link.

A concise two to three-page CD Country Note was prepared by the PFTAC team in advance of these discussions to document recent CD efforts and plans, and to inform discussions on future priorities and needs, which is the basis for the proposed FY2021 workplans.

The development of the workplan and RAP is an iterative multiparty exercise. The TA needs expressed by the beneficiary countries transmitted through various formal and informal channels drive the process. For PFTAC, much of this arises from the frequent interactions between the PFTAC team and member country officials and technical counterparts, particularly at regional events such as annual AFSPC and PITAA meetings in August and September respectively, as well as regional statistical events when a clear picture of future CD demand emerges for the Revenue, FSS, and Statistics programs. Forthcoming changes under the CDMAP initiative will more systematically capture CD demand and ensure that its consideration, prioritization, and resultant delivery and tracking is complete and transparent.

PFTAC and APD country teams regularly

<sup>1</sup> by Kenichiro Kashiwase, Mission Chief for Samoa

consult to foster the closest possible integration of surveillance and CD, with feedback and needs factoring into prioritizing and scheduling activities in the PFTAC workplan, including responding to unforeseen events.

**ADAPTIVE WORKPLANS** ensure flexibility and responsiveness to changing circumstances, such as the rapidly evolving COVID-19 situation that emerged in early 2020. While the FY2020 workplan endorsed by the March 2019 SC meeting was a comprehensive and realistic program, it was constantly monitored and adjusted throughout the year with regular reporting in the PFTAC Quarterly reports.

In late October 2019 at the mid-point of FY2020, a detailed review was completed of the workplan and budget execution against the changing landscape. On a demand driven basis, new activities and missions were added following consultation with APD and the backstopping department. Other activities were rescheduled as necessary, and in some instances dropped if no longer required. The mid-FY2020 review led to a net 14 percent decrease in planned missions from 188 to 161, but just a net 6 percent decrease in planned TA delivery from 2,495 to 2,336 TA days, that would have still been a record level of delivery if activity had not been disrupted by COVID-19. The biggest adjustments at midyear were to the PFM, FSS, and Macro programs, with the latter resulting from a shortened overlap between the incoming and outgoing Macro advisors reducing delivery capacity. The FSS program has experienced some challenges in securing specialist experts, particularly on legislative reforms, and some PFM activities were postponed until FY2021 awaiting prerequisite steps or conditions to be in place. In a few cases where other development partners have stepped up their engagement, such as the ADB in Fiji on PFM support, PFTAC has adjusted plans in consultation with our partners to avoid any duplication of effort.

As noted, a strong outturn in the closing months of FY2020 had been projected on the basis of extensive mission planning and expert mobilization during the months of March and April. However, those plans

had to be radically overhauled in light of travel restrictions with a few activities preserved through remote delivery. Most were however postponed and reflected in late adjustments to the FY2021 workplans where possible or targeted for coverage in FY2021 existing mission plans or delayed till FY2022 if bound by program delivery constraints.

Recognizing that the FY2021 workplans endorsed by the SC in April 2020 were predominantly formulated for a pre-COVID world, a complete review and update of the plans were completed in August 2020 to better reflect COVID priorities and the shift to remote delivery and is reflected in this updated and finalized Annual Report.

**PARTNER COLLABORATION** leverages the impact and effectiveness of the CD delivered by PFTAC. This occurs through multiple mechanisms and forums, and in several joint events each year. Most donors and development partners have a very close interest in PFM issues and often also directly support their own CD activities or link PFM reform milestones to budget support. Given a 2009 mandate from the Forum Economic Ministers Meeting (FEMM), PFTAC contributes an annual report through PIFS on the state of PFM reforms in the Pacific, particularly progress against PFM Roadmaps associated with PEFA assessments that PFTAC often either leads or coordinates. In FY2020 this covered PEFA assessments in PNG, Fiji, and Tonga, including innovative pilots of an 'agile' assessment methodology and a *Gender Responsive PFM* module benefiting from inputs and technical support from the Washington-based PEFA secretariat.

As endorsed by the 2019 SC meeting, a review was launched in mid-2019 of the impact and future direction of the PFTAC PFM program since the 2009 FEMM mandate. This was led by Washington based fiscal experts from FAD who undertook study tours to Fiji, Samoa, Solomon Islands, Nauru, and RMI to gather information and interview stakeholders, including a session at the annual *Friends of Pacific Budget Support* meeting hosted by the World Bank in Sydney in November 2019. A Working Paper has been drafted from this review

with publication targeted in the second half of 2020.

Working closely with regional development partners such as the ADB, the World Bank, regional organizations like PIFS and the SPC, as well as United Nations (UN) agencies such as the UNDP and the UN Economic and Social Commission for Asia and the Pacific (ESCAP), and bilateral technical agencies like the Australian Bureau of Statistics (ABS) and New Zealand Statistics ensures that the comparative advantages and expertise of these organizations are melded with the economic and financial expertise of PFTAC to deliver well-rounded and comprehensive events for our respective, and mostly overlapping client bases. PFTAC continues working productively with other regional groups like PASAI and the OCO, particularly given the important role of customs administration to mobilize revenue by PACER Plus countries to replace anticipated losses of trade tax revenues. More recently, both the Australian Tax Office (ATO) and Her Majesty's Revenue and Customs (HMRC) from the United Kingdom have reached out to explore collaborative opportunities with the PFTAC Revenue program.

In the financial sector, PFTAC continues to provide secretariat services to the AFSPC, delivering a topical training event in conjunction with the annual AFSPC meeting. Central Bank Governors from Australia, New Zealand, and the Pacific meet annually around November. The IMF Regional Representative and PFTAC attend as observers. The November 2019 Governors Meeting hosted by the Reserve Bank of Australia (RBA) in Sydney was closely focused on advancing practical solutions to address the challenges several Pacific countries have been facing with the possible loss of CBR and the high cost and issues of remittances generally. Building on a range of efforts by various contributors including the ADB and World Bank as well as APD, PFTAC is providing secretarial support through the end of FY2021 to a Steering Committee and Working Groups to advance the development and implementation of KYC utilities to help expedite progress.

## MAINSTREAMING CLIMATE CHANGE AND GENDER ISSUES

– for the Pacific, Climate Change is a preeminent, if not existential topic and as such is increasingly interwoven into most facets of IMF surveillance and CD. Examples include the CCPA undertaken in Tonga in February 2020 as well as in FSM in mid-2019, and the joint Pacific/Caribbean conference on PFM and Climate Resilience in Washington in December 2019. Securing easier and wider access to climate change financing led to the FEMM at their May 2019 meeting to request PIFS to work with PFTAC and other stakeholders to explore PFM options to reflect the challenges of small island states in the Pacific to reach the PFM standards sought by climate change finance providers. To this end, PFTAC is assisting a Working Group to explore a PEFA Climate Change module that the PEFA Secretariat received approval to develop and prototype during their December 2019 PEFA Steering Committee meeting.

On Gender, PFTAC was pleased to help the PEFA Secretariat pilot the Gender Responsive PFM module (initially designated the Gender Responsive Budgeting (GRB) module) in Tonga in November 2019. The experience was very positive. PFTAC facilitated the inclusion of an official from the Fijian Ministry of Economy in the review team, and as a result of her intensive involvement in the experience, she brought back a passionate push for Fiji to enhance its focus and application of PFM approaches that can better impact not only women but other groups such as youth and the disabled. In an example of effective partner collaboration, the ADB is providing TA and resources for Fiji to advance this cause to build on the initial involvement and peer-sharing experience PFTAC facilitated with the Tonga Gender Responsive PFM assessment.

**INNOVATION** - the PFTAC team is constantly striving for innovation on the issues, content, and delivery approach of its CD program. For example, tailored

training is a new way to deliver CD. In 2019 the Bank of PNG (BPNG) and the Department of Treasury, with funding support from Australian Port Moresby High Commission delivered a five-day course on *Macroeconomic Policy for Stabilization and Growth*. The course was delivered by the IMF's Institute for Capacity Development (ICD), PFTAC, and STI, and follow-on events were undertaken again with the PNG and Solomon Islands authorities in FY2020. Unfortunately, a regional Fiscal Frameworks course that had been tailored to the specific needs of the Pacific and data availability had to be postponed in March 2020 due to COVID-19 developments. While these recent developments have been frustrating, they also produce opportunities for alternative engagement and delivery methodologies that are already being explored through remote provision of CD where viable, and additional channels and approaches are being explored to maintain a program of regional and sub-regional workshops and peer-learning events.

### BOX 4 - GENDER RESPONSIVE PFM FOR TONGA

On January 23, 2020, the PEFA Secretariat announced the launch of the framework for assessing **Gender Responsive PFM (GRPFM)**. In November 2019, PFTAC with the Tongan authorities, conducted a pilot assessment of the framework in Tonga. The report from this assessment received the PEFA check of approval and the final version was transmitted to the government of Tonga on January 14, 2020. A similar exercise is being conducted in Fiji, with the assistance of the ADB. A representative from the Fiji government participated in the Tonga mission to learn about the framework.

This new assessment tool is intended to help countries assess the extent their PFM systems respond to differing needs of men and women and subgroups of these categories, e.g., youth, elderly, people with disabilities, etc., and promote and contribute to gender equality. The framework has nine indicators distributed across the budget cycle and can be applied at both national and subnational levels. The framework can be applied during the PEFA assessment or as a stand-alone activity.

The framework includes policy-based fiscal strategy and budgeting, predictability and control in budget execution, accounting and reporting, and external scrutiny and audit, as well as two cross-cutting themes: transparency of public finances and management of assets and liabilities. Several GRPFM indicators require the publication of documents. This requirement is in line with good international practice on transparency of public finances, as identified in the PEFA framework, which promotes accountability between governments and citizen.

Additional information on the GRPF framework can be found at the PEFA Secretariat website at [www.pefa.org](http://www.pefa.org)



**EVALUATION** – as mandated by the Program Document, an external evaluation of PFTAC performance at the midpoint of the fifth phase of operations was launched in FY2020. Competitive tenders were solicited against Terms of Reference (TOR) that had been reviewed and cleared by an Evaluation Sub Committee (ESC) of the PFTAC SC that led to the award of a contract to *Universalia*, a Canadian consulting firm specializing in monitoring and evaluation.

An initial round of interviews of IMF staff were held in Washington in December 2019, including with several of the team of experts and the coordinator who were visiting at the time for other reasons. The evaluators prepared an Inception Note to launch their efforts that included plans for field visits that will now be replaced by remote interviews. Prior to the COVID-19 disruptions, the exercise was to be completed before the end of 2020; now, early 2021 is envisaged, with surveys and

interviews launched in August. Detailed reviews of all programs in Fiji, Kiribati, Papua New Guinea, and Samoa will be complemented by documentation review of the FSS, PFM, Revenue, and RSS programs in the other 12 PFTAC member countries.

## BOX 5: REVIEW OF THE PACIFIC ISLANDS' PFM REFORM STRATEGY AND CD

The PFM Roadmap for Forum Island Countries published in 2009 focused on three broad objectives: (i) PEFA assessments every three years; (ii) practical, shared action plans derived from these PEFA assessments; and (iii) dedicated regional PEFA resources and coordinated donor support.

Since 2009, much has changed. PFM practices and expectations have not remained idle, international PFM standards (like IPSAS) continue to develop, PFM diagnostic tools evolve, e.g. Fiscal Transparency Evaluations and Public Investment Management Assessments (PIMA). During this time the IMF's CD modalities and the

development of the RBM framework have evolved.

Also, over this period, there has been the development of the Fund's online PFM training course and customized training; and closer integration of surveillance and CD where PFM is a core issue. This period has also coincided with increased levels of direct budget support across the Pacific, which often require some aspect of PFM reform.

The establishment of a broad review to examine whether the tools and modalities included in the Roadmap were adapted to PFTAC member countries' needs and capacity and were sufficiently

focused on their strategic reform priorities is timely and fitting.

The broad objective of the review is to assess whether the strategy proposed by the Roadmap has achieved its basic objectives and led to an improvement in the countries' PFM performance. The preliminary output of the review is expected to be discussed at the Forum Economic Ministers Meeting in July.

The review will also consider the progress towards achievement of the PFTAC PFM program objectives outlined in the Program Documents for Phase IV (2012-17), Phase V (2017-22), and possibly Phase III (2009-11).

## FINANCIAL REPORT

PFTAC operations in FY2020 cost US\$6.28 million including the 7 percent Trust Fund Management Fee. Three key budget categories (LTX travel, STX costs, and workshops) are managed and tracked locally, while other budget categories are controlled centrally (LTX salary, diagnostic missions, certain governance costs like the external evaluation, and backstopping and project management charges). Amounts cited exclude the IMF's in-kind contribution that covers the salaries and expenses of the coordinator and four of the support staff and other annual overheads of approximately US\$0.5 million.

The FY2020 expenditure outturn was 74 percent of the original US\$ 8.5 million budget (including management fee) that

was endorsed by the 2019 SC. Had the COVID-19 travel restrictions and constraints not arisen in February 2020, CD delivery was on track towards an activity outturn of 90 percent (2,126 of 2,336 planned days – 91 percent, and 144 of 161 planned missions – 89 percent), matched by a 90 percent projected expenditure outturn of US\$ 7.64 million of the US\$ 8.5 million budget, accompanied by relatively high individual program expenditure outturns. However, the expenditure outturns were reduced by COVID-19 cancellations and postponements, leading to final outturn of 89 percent for the Revenue program; PFM at 83 percent; RSS at 81 percent; FSS at 76 percent; GFS at 73 percent; and Macro at 63 percent. Expenditure outturn for major budget categories include 89 percent of LTX costs, 82 percent for STX costs; and 77 percent of the training/

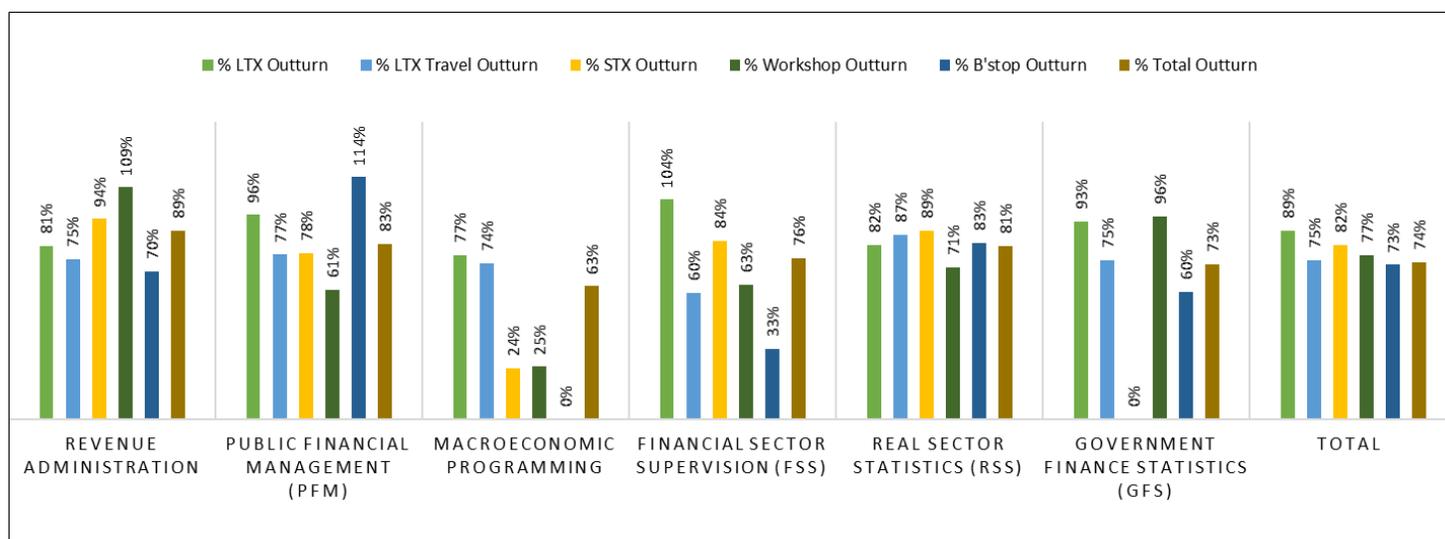
workshop budget.

Beyond the impact of COVID-19 adjustments, the budget outturn for the Macro program is lower than anticipated due to a shorter overlap of resident advisors and lesser activity than was planned for FY2020. Furthermore, there was no utilization from a modest budget provision of US\$ 180,000 added to the Macro program following SC lapse of time (LOT) approval in December 2019 to support an initiative to safeguard CBR in the Pacific. No PFTAC charges under this initiative occurred in FY2020 other than time of the advisor, with most activity and costs expected in FY2021. The overall expenditure outturn was reduced by \$100,000 following a delayed credit to the administrative budget from a special donor contribution to the 2018 25<sup>th</sup> anniversary event.

FY2020 CD delivery at 1,764 TA days was slightly less but at a comparable level to FY2018 delivery of 1,830 TA days, down from the FY2019 record of 2,060 TA days. However, the FY2020 budget outturn of US\$ 6.28 million (including management fee) exceeds the FY2018 expenditure outturn of US\$ 5.9 million (including management fee) despite FY2020 and FY2018 appearing to have comparable outputs. However, it is important to understand the composition of FY2020 expenses and activities not fully reflected in the TA day count that accounts for the difference (plus the 7 percent management fee) as follows:

- TA field days in FY2018 were only 60 percent delivered by STX (1,090 of 1,830 days), but 71 percent STX delivered in FY2020 (1,256 of 1,764 days), with STX costs in FY2020 US\$174,516 higher than FY2018;
- Two more training events were delivered in FY2020 than FY2018 (16 versus 14), with US\$ 221,217 higher projected costs;
- LTX salary costs that are relatively fixed were marginally higher at US\$42,580 more than FY2018 with a full team in place all year including a brief overlap in outgoing and incoming Macro advisors, while travel costs were unsurprisingly down US\$20,606;
- Administrative costs were similar in FY2018 at US\$ 255,169 versus net charges of US\$147,798 after the US\$100,00 delayed anniversary event credit; and
- Headquarters costs comprising diagnostic missions, backstopping, and project management charges were relatively unchanged at US\$482,864 in FY2020 versus US\$479,572 in FY2018.

**CHART 7. FY2020 FINAL PROGRAM OUTTURN-PERCENT OF BUDGET EXPENDED**



**TABLE 5. PFTAC FY2020 BUDGET (US DOLLARS) BY PROGRAM**

	Revenue	PFM	Macro	FSS	RSS	GFS	Other	Total
Resident Advisors (Long Term Experts - LTX)	335,499	664,830	517,339	318,362	309,754	269,754	-	2,415,538
LTX Travel	61,546	124,910	101,999	57,765	57,679	56,080	-	459,979
Short-Term Experts (STX)	1,063,766	570,000	64,862	222,072	168,283	33,734	112,932	2,235,649
Diagnostic Missions	177,668	65,595	-	49,635	6,767	52,767	-	352,432
Training/Seminars/Workshops	456,030	249,713	164,415	192,245	123,000	91,451	-	1,276,854
Backstopping/Project Management	115,508	79,232	-	83,875	85,784	68,842	36,660	469,901
Other Costs (Evaluation, misc. etc.)	14,036	27,355	-	-	4,200	10,142	679,491	735,224
<b>Total TA Provision/Delivery*</b>	<b>2,224,053</b>	<b>1,781,635</b>	<b>848,615</b>	<b>923,954</b>	<b>755,467</b>	<b>582,770</b>	<b>829,083</b>	<b>7,945,577</b>
Trust Fund Management Fee	155,684	124,714	59,403	64,677	52,883	40,794	58,036	556,190
<b>Total Trust Charges</b>	<b>2,379,737</b>	<b>1,906,349</b>	<b>908,018</b>	<b>988,631</b>	<b>808,350</b>	<b>623,564</b>	<b>887,119</b>	<b>8,501,767</b>

\* Trust Fund Fee is 7 percent of funds utilized for TA delivery

**TABLE 6. PFTAC FY2020 FINAL OUTTURN (US DOLLARS) BY PROGRAM**

	Revenue	PFM	Macro	FSS	RSS	GFS	Other	Total
Resident Advisors (Long Term Experts - LTX)	273,386	639,849	400,096	329,721	254,308	251,596	-	2,148,956
LTX Travel	46,283	96,805	75,071	34,428	50,181	41,948	-	344,716
Short-Term Experts (STX)	1,003,248	446,374	15,532	186,992	149,311	-	36,547	1,838,004
Diagnostic Missions	74,819	45,477	-	-	-	20,752	-	141,048
Training/Seminars/Workshops	498,344	152,056	40,648	122,036	87,921	87,381	-	988,386
Backstopping/Project Management	80,443	90,635	-	27,814	71,401	41,260	30,263	341,816
Other Costs (Evaluation, misc., etc.)	816	-	-	-	2,195	(17,740)	80,988	66,259
<b>Total TA Provision/Delivery</b>	<b>1,977,339</b>	<b>1,471,196</b>	<b>531,347</b>	<b>700,991</b>	<b>615,317</b>	<b>425,197</b>	<b>147,798</b>	<b>5,869,185</b>
Trust Fund Management Fee	138,414	102,984	37,194	49,069	43,072	29,764	10,346	410,843
<b>Total Trust Charges</b>	<b>2,115,753</b>	<b>1,574,180</b>	<b>568,541</b>	<b>750,060</b>	<b>658,389</b>	<b>454,961</b>	<b>158,144</b>	<b>6,280,028</b>

\* Trust Fund Fee is 7 percent of funds utilized for TA delivery

**TABLE 7. PFTAC FY2020 FINAL OUTTURN (PERCENT) BY PROGRAM**

	Revenue	PFM	Macro	FSS	RSS	GFS	Other	Total
Resident Advisors (Long Term Experts - LTX)	81%	96%	77%	104%	82%	93%	0%	89%
LTX Travel	75%	77%	74%	60%	87%	75%	0%	75%
Short-Term Experts (STX)	94%	78%	24%	84%	89%	0%	32%	82%
Diagnostic Missions	42%	69%	0%	0%	0%	39%	0%	40%
Training/Seminars/Workshops	109%	61%	25%	63%	71%	96%	0%	77%
Backstopping/Project Management	70%	114%	0%	33%	83%	60%	83%	73%
Other Costs (Evaluation, misc., etc.)	95%	0%	0%	0%	52%	-175%	12%	9%
<b>Total TA Provision/Delivery</b>	<b>89%</b>	<b>83%</b>	<b>63%</b>	<b>76%</b>	<b>81%</b>	<b>73%</b>	<b>18%</b>	<b>74%</b>

**FUND RAISING** is essentially complete to underwrite the final two years (FY2021 and FY2022) of Phase V of PFTAC operations provided all donor pledges and member country contribution expectations materialize. Two major outcomes contributed to the closure of a funding gap of approximately US\$ 5.2 million that SC members at the March 2019 Port Moresby event were urged to address and were highlighted in the 2019 Annual Report.

The New Zealand government very generously made a further NZ\$ 6.0 million contribution (approximately US\$ 4.0 million) in June 2019 that raised their total Phase V contribution to NZ\$ 18 million, the equivalent of US\$ 12.14 million, elevating New Zealand to the largest donor during Phase V and cumulatively since the establishment of PFTAC in 1993, constituting approximately 35

percent of all donor and member financing. The balance of the funding gap was then extinguished when Canada joined as the sixth PFTAC donor with a CA\$ 1.5 million contribution that was formalized in November 2019, approximately US\$ 1.1 million.

If all expected donor pledges and member country contribution expectations materialize, US\$ 32.4 million of donor financing is expected, of which only two final contributions are pending respectively from Australia (AU\$ 2.0 million) and Korea (US\$ 1.0 million). Conversely, member contributions received stand at only 58 percent of expectations (US\$ 2.26 million of US\$ 3.89 million). If the 14 PFTAC member countries that have signed Letters of Understanding (LoU) follow through on their contribution commitments

(including those that are overdue), all but US\$ 660,000 can be expected. Four countries (Nauru, Samoa, Solomon Islands, and Tokelau) have fully paid. The remaining US\$ 660,000 is in doubt unless the two remaining member countries (Timor Leste for US\$ 550,000 and Palau for US\$ 110,000) promptly sign an LoU and are then able to meet their overdue contributions.

Assuming all donor and member country contributions are forthcoming, the total funding envelope for Phase V is US\$ 36.3 million. The total actual expenditure through the end of FY2020 is US\$ 21.4 million. This provides a budget envelope for the balance of Phase V of US\$ 14.9 million.

The proposed FY2021 budget is US\$ 8.0 million including the management fee,

leaving a balance of US\$ 6.9 million for FY2022 (the FY2022 budget shown at Table 9 was based on expected remaining funds of US\$ 5.8 million and will need to be updated depending on the final fund-raising outcome and actual FY2021 expenditure). While the FY2020 budget was larger at US\$ 8.5 million, FY2021 could be the largest in PFTAC history if the budget outturn is 86 percent or higher to exceed the record FY2019 outturn of US\$ 6.82 million. Included in the FY2021 budget is provision for:

- Carry-over of approximately US\$ 400,000 of STX costs from FY2020 for missions postponed due to COVID-19;
- A one-year extension of the GFS program that was due to end in April 2020 as sought by the PFTAC member countries and agreed by the Statistics Department and endorsed by the SC in December 2019 at a cost of US\$ 638,983;
- Budget provision for the CBR/Remittance initiative within the Macro program to conclude April 2021 for US\$ 320,000;
- Continuation of the scaled-up Revenue program to deplete the remaining additional funds in late FY2021 with a budget of US\$ 2.28 million versus a baseline annual budget of US\$ 1.5 million when the program reverts back in FY2022.

**TABLE 8. STATUS OF FINANCIAL CONTRIBUTIONS FOR PHASE V (AS OF APRIL 30, 2020)**

	Currency*	Commitments		Contributions received (U.S. dollars)	Payments pending (U.S. dollars)
		(partner currency)	(U.S. dollars)		
<b>PARTNERS</b>					
ADB	U.S. dollar	800,000	800,000	800,000	0
Australia	Aust. dollar	11,300,000	9,004,929	7,488,820	1,516,109
Canada	Can. Dollar	1,500,000	1,136,191	1,136,191	0
European Union	Euro	6,000,000	6,829,713	6,829,713	0
Korea	U.S. dollar	2,500,000	2,500,000	1,500,000	1,000,000
New Zealand	NZ dollar	16,000,000	12,145,192	12,145,192	0
<b>SUBTOTAL, PARTNERS</b>			<b>32,416,025</b>	<b>29,899,916</b>	<b>2,516,109</b>
<b>MEMBER COUNTRIES</b>					
COOK ISLANDS	U.S. dollar		110,000	80,000	30,000
FIJI	U.S. dollar		687,500	500,000	187,500
KIRIBATI	U.S. dollar		82,500	65,905	16,595
MARSHALL ISLANDS (RMI)	U.S. dollar		110,000	50,000	60,000
MICRONESIA (FSM)	U.S. dollar		110,000	40,000	70,000
NAURU	U.S. dollar		82,500	82,026	474
NIUE	U.S. dollar		27,500	9,950	17,550
PALAU	U.S. dollar	LoU Pending	110,000	0	110,000
PAPUA NEW GUINEA	U.S. dollar		1,375,000	875,000	500,000
SAMOA	U.S. dollar		165,000	165,000	0
SOLOMON ISLANDS	U.S. dollar		165,000	165,000	0
TOKELAU	U.S. dollar		11,000	11,000	0
TIMOR-LESTE	U.S. dollar	LoU Pending	550,000	0	550,000
TONGA	U.S. dollar		110,000	49,921	60,079
TUVALU	U.S. dollar		27,500	17,500	10,000
VANUATU	U.S. dollar		165,000	150,000	15,000
<b>SUBTOTAL, MEMBER COUNTRIES</b>			<b>3,888,500</b>	<b>2,261,302</b>	<b>1,627,198</b>
<b>GRAND TOTAL</b>			<b>36,304,525</b>	<b>32,161,218</b>	<b>4,143,307</b>

Source: IMF, Institute for Capacity Development

**TABLE 9. PROPOSED FY2021 and FY2022 BUDGETS (US DOLLARS MILLIONS)**

	Program Document Budget	Tot Phase V Expenses to end-FY20	% of Prog Doc Budget thru end-FY20	FY2021		FY2022	Phase V Outturn	
				Proposed Budget	Change FY21vFY20	Proposed Budget	Total end FY22	PD Diff.
Resident Advisors (Long Term Experts - LTX)	\$12.6	\$7.2	57%	\$2.4	\$0.2	\$2.0	\$11.6	\$1.0
LTX Travel	\$2.3	\$1.3	57%	\$0.4	\$0.1	\$0.3	\$2.0	\$0.3
Short-Term Experts (STX)	\$11.4	\$6.2	55%	\$2.4	\$0.5	\$1.4	\$10.0	\$1.3
Diagnostic Missions	\$1.2	\$0.8	70%	\$0.4	\$0.2	\$0.2	\$1.4	(\$0.1)
Training/Seminars/Workshops	\$6.0	\$2.7	45%	\$1.2	\$0.2	\$0.8	\$4.7	\$1.3
Backstopping/Project Management	\$1.9	\$0.9	49%	\$0.4	\$0.0	\$0.3	\$1.6	\$0.3
Other Costs (Evaluation, misc., etc.)	\$1.6	\$0.8	51%	\$0.4	\$0.3	\$0.4	\$1.6	(\$0.0)
<b>Total TA Provision/Delivery</b>	<b>\$36.9</b>	<b>\$20.0</b>	<b>54%</b>	<b>\$7.5</b>	<b>\$1.6</b>	<b>\$5.4</b>	<b>\$32.9</b>	<b>\$4.0</b>
Trust Fund Management Fee*	\$2.6	\$1.4	54%	\$0.5	\$0.1	\$0.4	\$2.3	\$0.3
<b>Total Trust Charges</b>	<b>\$39.5</b>	<b>\$21.4</b>	<b>54%</b>	<b>\$8.0</b>	<b>\$1.7</b>	<b>\$5.8</b>	<b>\$35.2</b>	<b>\$4.3</b>
IMF and Host Country In-Kind Contribution	\$2.6							
<b>TOTAL</b>	<b>\$42.1</b>			<b>\$8.0</b>	<b>\$1.7</b>	<b>\$5.8</b>	<b>\$35.2</b>	<b>\$4.3</b>

\* Trust Fund Fee is 7 percent of funds utilized for TA delivery

# REVENUE ADMINISTRATION

## MAIN ACHIEVEMENTS

- (1) Tax Administration and Tax Policy CD to help intending PACER Plus signatory countries prepare for trade tax losses with support delivered to **Samoa, Cook Islands**, and assistance to **Tonga** following-up on the FY2019 review;
- (2) Facilitating improvements to tax administration organizational arrangements and introduction of function-based structures;
- (3) Developing and implementing risk-based compliance improvement strategies;
- (4) Elevating the importance and improving the effectiveness of taxpayer services;
- (5) Strengthening the focus and compliance management of the large taxpayer segment;
- (6) Facilitating improvements to the management of tax return filing and tax arrears management;
- (7) Facilitating improvements to the effectiveness of tax audits; and
- (8) Modernizing tax legislation including Income Tax Acts, VAT Acts, and Tax Administration Acts.



Regional Tax Audit Managers Workshop, Fiji, November 2019

## WORK PROGRAM EXECUTION

PFTAC supports member countries to strengthen their tax administration capacity, mobilize tax revenue, improve taxpayer compliance, and promote the role and contribution of citizens as taxpayers towards fiscal sustainability. The Revenue Administration Program focuses on two key objectives: (1) strengthened revenue administration management and governance arrangements; and (2) strong core tax administration functions that include an accurate taxpayer base, quality taxpayer services that support voluntary compliance, and improvements to filing, payment, and audit services; that are supported by fit-for-purpose legal frameworks. The program is delivered by a resident tax administration advisor with peripatetic support from his predecessor and draws on an extensive pool of international tax experts. Further resources are provided from the IMF's Legal Department to draft new or revised tax legislation to support the revenue program objectives, as well as tax policy expertise from the Fiscal Affairs Department to review and provide advice on tax policy options.

The FY2020 Revenue program delivered 57 missions or activities (totalling 799 TA

days) including seven regional workshops. Prior to the late postponement of missions in March and April due to COVID-19 travel restrictions, the Revenue program was on track to its largest outturn in PFTAC history, comprising 66 missions utilizing 981 TA field days. Given its large scale, most Revenue program CD is delivered by short-term experts (STX) and some HQ staff-led missions with the single resident advisor managing and overseeing the extensive program.

Extra funding from Australia enabled the extensive scaling-up of the revenue program to better respond to unmet demand for CD for the region. The scaling-up of the revenue program started in mid-FY2019 and continued throughout FY2020. It extended PFTAC's provision of tax policy advice, tax legislation drafting, and extensive tax administration CD with a significant proportion of the expansion directed to six countries (**Cook Islands, Nauru, Solomon Islands, Tonga, Tuvalu, and Vanuatu**) that intend to be or are signatories to the PACER Plus trade agreement and who face likely losses of revenue from trade taxes under the trade agreement. These countries also received assistance with managing tax debt and return filing, strengthening the

audit function, improving taxpayer services, moving to more effective functional structures, developing modernization plans, compliance improvement strategies, and renewal or drafting of new tax legislation and regulations.

The scaling-up is not a short-term undertaking, it is the start or in some cases the continuation of multi-year efforts with longer horizons. A comparison between the first half of FY2020 after the up-scaling and the corresponding six months of FY2019 before the scaling-up, shows the impact of the expansion. In the first six months of FY2020, 79 percent more missions and 136 percent more TA days were delivered compared to the corresponding six months of FY2019 before the expansion started. The trend in CD delivery over the past three years by the PFTAC Revenue Administration Program is as follows:

PFTAC Assistance	FY18 (pre scaleup)	FY19 (6 months of scaleup)	FY 20 (1-year scaleup)
TA missions	28	53	57
Number of TA days	482	726	799
Training events	7	5	7

### BOX 6. COOK ISLANDS REVENUE MODERNIZATION

The Cook Islands recognized the need to modernize our revenue administration to ensure that we can operate efficiently and effectively in an increasing global economy characterized by difficult-to-tax sectors and the need to improve overall tax compliance to ensure increased revenue flows from which all Cook Islanders can benefit. The modernization program that had already commenced and supported by a strong Business Plan, will stretch over the next few years and is aligned to a strategy to significantly increase the effectiveness of our revenue administration which will also include an IT upgrade scheduled for delivery in 2021.

To start, a request was made to PFTAC to undertake a diagnostic evaluation that provided a number of recommendations that were accepted and acted upon. As a first step, this included the design of a Strategic and Business Plan which incorporates a new vision that focuses on and prioritizes initiatives that have the potential to achieve breakthrough improvements in organizational performance and excellence in service delivery. An important step to achieve this vision was the design of a new structure that was approved by the Public Service Commission and is currently being implemented. The new structure contains important elements of modern revenue administration

which includes design and monitoring capability, risk management, strengthened corporate services and an IT department. Increased staffing for core tax functions, including strengthening taxpayer services, has also been approved which will provide the organization with the capability to effectively manage and promote voluntary compliance.

I would like to thank PFTAC for assisting the Cook Islands in our capacity building program over the last year and look forward to continued support in 2020-2021.

**Xavier Mitchell**  
**Director**

Regional CD workshops were delivered in partnership with PITAA. Topics covered in FY2020 included Managing Compliance Risk and Compliance Improvement Strategies, Managing Modern Tax Administration, Managing the Audit Function, Management of Tax Arrears and Returns, and the Management of Taxpayer Services. A workshop was also held in FSM on the audit of Gross Receipts Tax (GRT) for FSM, Palau, and RMI that all have a GRT regime.

For the third consecutive year, PFTAC hosted an annual awards dinner and recognized the achievements of three countries for their progress in advancing their revenue reforms. Tonga was recognized for their outstanding achievement on reform implementation and revenue mobilization outcomes; the Solomon Islands for advancing several modernization initiatives whilst maintaining robust revenue collections; and RMI for innovation to increase revenue despite severe resource and IT constraints.

In the **Cook Islands** PFTAC assistance led to:

- (1) updated and enhanced strategy and business plans for the Revenue Management Department and development of a

performance management framework;

- (2) design and implementation of a function-based organization:
  - with a project plan to migrate to the new structure, and
  - development of new job descriptions.
- (3) strengthened on-time tax return filing and payment and arrears management, including:
  - a tax return and tax arrears collection strategy, and
  - development of operations manual and guidelines
- (4) strengthened tax audit including the development of an audit plan, and
- (5) evaluation of an IT proposal to introduce a new version of the Revenue Management System;

Extensive support to **Fiji** led to the following achievements:

- (1) development of a new Compliance Improvement Strategy and data analysis capacity;

- (2) development of a program to quality assure the implementation of the new tax IT system (NTIS) from January 2020 that is foundational to the strategy to address weaknesses identified in the 2015 TADAT diagnostic assessment; and
- (3) strengthened tax returns and tax arrears management.

In **Kiribati**, the outcomes of TA provided by PFTAC were:

- (1) development of a draft taxpayer service strategy with defined action items and agreed internal performance measures that will advance the support of voluntary compliance and the timely filing of returns and payment of taxes;
- (2) a review of and recommendations to improve the modernization plan and the Compliance Improvement Strategy;
- (3) improvements to the management of debt and tax return filing; and
- (4) strengthened taxpayer services.

## BOX 7. SOLOMON ISLANDS INLAND REVENUE DIVISION REFORMS

Administrative reforms have gained traction for which we were fortunate to have PFTAC guidance over the last two years. The assistance included: (a) a high-level diagnostic review of the organization that identified key weaknesses; (b) the development of a new Strategic and Operational Plan; (c) a strategy to improve the tax audit function; (d) a plan to improve the management of tax arrears and outstanding returns; (e) the development of a Compliance

Improvement Strategy; (f) design and plans for implementation of a function-based structure; and (f) introduction of a Large Taxpayer Office. We were happy to see that the November 2019 IMF Article IV mission recognized the reforms undertaken by SIIRD with the mission highlighting efforts made to recover tax arrears, strengthen revenue administration and compliance which resulted in 2018 revenues exceeding 2017 results by over 6 percent. We have now

requested support for development and implementation of a MTRS and will continue to value PFTAC's assistance in the many reforms ahead.

Thank you very much.

**Joseph Dokekana**  
**Commissioner**  
**Solomon Islands Inland Revenue**  
**Division**

## BOX 8: TONGA – MINISTRY OF REVENUE AND CUSTOMS (MoRC) – IMPROVING TAX COMPLIANCE IN THE TOURISM SECTOR

MoRC, in its strategy to work more closely with Taxpayers and to help them comply with their tax obligations is developing Industry Partnerships with those sectors that MoRC consider as high risk and who are not paying their fair share.

The Industry Partnership approach entails developing a strong relationship with under complying industries and strategies to provide more information, education, and assistance to help them comply with their tax obligations. The first Industry Partnership MoRC has created is with the Whale Watching Sector that accounts for about 17 percent of whale watching worldwide with over 8000 tourists in 2018. Meetings have been held with all four

Whale Watching Associations spread across four islands – all have agreed to work with the MoRC to improve tax compliance to ensure that all whale watching businesses comply with the tax laws and pay their fair share of taxes to the government.

MoRC has set up a special team to work closely with the Whale Watching sector and individual operators to ensure that their tax obligations are complied with. Activities include new educational material for the industry, special contact points making it easy for whale watchers to resolve their tax issues and a dedicated e-mail address.

MoRC, through its new risk management capability, has identified

that this industry does not pay on-time, file on-time and that large amounts of income are not declared for tax purposes. The Industry Partnership between the Whale Watchers Association and MoRC will help resolve these issues and change non-compliant behavior. Where necessary enforcement action will be taken against those whose compliance behavior does not change. Other government agencies, including the Ministry of Tourism are fully supporting this initiative.

**Kelemete Vahe**  
**Chief Executive Officer**  
**Tonga Ministry of Revenue and Customs**

Revenue administration CD provided to **RMI** led to:

- (1) strengthened core tax functions that included the development and documentation of a data matching methodology and workflow process; and
- (2) a review and renewal of the Compliance Improvement Strategy.

PFTAC's support to **Nauru** facilitated:

- (1) implementation of organizational changes including the introduction of a Design and Monitoring framework and division; and
- (2) strengthened core tax functions including definition of key performance indicators including a baseline measure of the large taxpayer segment, a large taxpayer framework, and the first pilot Compliance Improvement Strategy plan.

PFTAC assistance to **Palau** helped to:

- (1) strengthen on-time filing and payment and improve the

management of arrears and outstanding returns.

In **PNG**, the PFTAC Revenue program facilitated the:

- (1) inclusion of the PFTAC revenue advisor in a FAD mission to review the progress of the MTRS funded through the Revenue Mobilization Trust Fund (RMTF). While much remains to reach the objectives of the MTRS, PFTAC's participation aims to ensure a smooth transition of assistance back to PFTAC when the MTRS reforms conclude under the RMTF program.

In **Samoa** assistance led to:

- (1) an enhanced debt and returns management strategy;
- (2) a review of the taxpayer services program that proposed a more effective Taxpayer Services organization including a channel strategy and improved e-services;
- (3) strengthened audit from a new organizational structure for the Audit

and Investigation Division with new performance measures; and

- (4) a PACER Plus mission delivered by FAD tax policy expert Ms. Li Liu and tax policy STX, Peter Mullins. The mission completed an assessment of the revenue impact for Samoa from implementation of the PACER Plus trade agreement obligations, and the tax policy reform options to compensate for these revenue shortfalls.

Expanded engagement with the **Solomon Islands** contributed to:

- (1) strengthened audit capability from the development of a framework for risk based annual audit case planning, and performance measures to help assess the impact of the audit improvements efforts;
- (2) design and implementation of a large taxpayer office (LTO);
- (3) implementation of a new function-based organization structure;

- (5) renewal of the compliance improvement strategy with risk identification strategies, treatment actions, and appropriate performance measurement targets and;
- (6) improvements to on-time filing and on-time payment of taxes.

In **Tonga**, PFTAC is contributing to major scaling up in revenue reforms that included:

- (1) improved tax audit capability through training and further capacity building of auditors;
- (2) strengthened on-time tax return filing and payments and management of arrears and outstanding returns;
- (3) development of the Industry Partnership (IP) project plan with the major components: (1) relationship management; (2) leverage; and (3) audit (assurance);

- (4) strengthened management of the large taxpayer segment through assistance to properly identify eligible large taxpayers, and development of the principles, criteria, and policy for a fully-fledged Large Taxpayer Office that incorporates the Heilala Tax System for compliant large taxpayers; and

- (5) Renewal of the compliance improvement strategy.

Recent TA to **Tuvalu** provided for the:

- (1) roll-out of PFTAC's VAT Audit toolkit with auditors trained on its use including a session on VAT fraud indicators plus recommendations to introduce audit quality standards and measures;
- (2) design of a refreshed Compliance Improvement Strategy with a focus on large taxpayers; and

- (3) development of a Taxpayer Service Unit framework.

In **Vanuatu**, PFTAC's support contributed to:

- (1) strengthened on-time filing and payment and returns management, including training and sharing of international best practice; and
- (2) strengthened audit, with a focus on the verification processes, staffing capacity, risk management function, and the establishment of key strategic documents such as the audit plan, a manual and guidelines for audit plus the introduction of audit quality review process.
- (3) Strengthened taxpayer services; and
- (4) Review and enhancement of the Compliance Improvement Strategy.

## BOX 9. RECENT TAX LAW WORK IN THE PACIFIC

PFTAC continues to support significant tax law reform efforts by PICs. The reforms primarily involve updating and modernizing tax legislation, particularly income tax and VAT laws.

Considerable progress has been made in the rewrite of the Income Tax Act (ITA) in **PNG** as a modern and simple income tax law suitable for PNG's needs. Work on the rewrite commenced in February 2019 and, on February 28, 2020, a draft of the rewritten ITA was released by Treasury for public consultation. The consultation period is six weeks and, after taking account of the submissions received, the Income Tax Bill will be finalised for submission to Parliament in the second half of 2020.

Work has continued to modernize and simplify VAT legislation in **Fiji** and **Tonga**

(where VAT is called "consumption tax"). A focus of the VAT rewrites is on improving the taxation of supplies of imported services (including the "import" of business-to-consumer digital products) and reviewing exempt and zero-rated supplies. The Tongan Ministry of Revenue held a public consultation on the rewritten Consumption Tax Act in November 2019 and the Fiji Revenue and Customs Service held consultations on the rewritten VAT Act in December 2019 and January 2020. Both countries propose enacting the rewritten VAT legislation in the second half of 2020.

Work has also continued in some PICs on tax administration legislation. In **Tonga**, the Revenue Services Administration Bill was submitted to Parliament in 2019 and is expected to be passed in the May 2020 sitting of

Parliament. Work continued with the **Niue** authorities to develop Tax Administration legislation. **Vanuatu** has recently promulgated Tax Administration Regulations to support the Tax Administration Act passed by Parliament in 2018. The Regulations include the implementation of Country-by-Country Reporting and the Common Reporting Standards for the collection, reporting, and exchange of financial account information of non-residents. **Tonga** and **Samoa** have prepared regulations for the use of electronic fiscal devices.

A consultation draft of tax legislation for seabed mining has been prepared in **Kiribati**. Public consultations on the legislation is planned for June 2020.



Regional Workshop – Delivering Effective Taxpayer Services , Fiji, February 2020

# PUBLIC FINANCIAL MANAGEMENT

## MAIN ACHIEVEMENTS

- (1) Improving capacity to meet fiscal responsibilities aided by evidence-based diagnostic assessments that underpin reform programs supported by robust monitoring mechanisms that track progress and inform reform programs around the assessment results;
- (2) Modernizing public financial management legislation to support on-going reforms, fiscal responsibility, and transparency;
- (3) Helping PICs to have more comprehensive, credible, and policy-based budgets through improved documentation to accompany parliamentary budget submissions;
- (4) Improving data integrity and budget execution through risk based internal audit; and
- (5) Strengthening the coverage of financial reporting, including the recording and reporting of non-financial assets and managing audit recommendations.



Strengthening Climate Resilience – Small Islands States Seminar, Washington DC, December 2019

## WORK PROGRAM EXECUTION

In FY2020, the PFM program delivered 24 missions or activities (totalling 408 TA days) and conducted or contributed to two regional workshops on PFM related topics. Prior to the late postponement of missions in March and April due to COVID-19 travel restrictions, the projected outturn was 470 TA days – slightly more than the FY2019 outturn, and 27 missions. More than one third of the missions delivered in terms of TA days, were led by the two Suva-based PFM advisors. In the case of the Fiji and Tonga PEFA assessments, resources were additionally provided by the Washington-based PEFA Secretariat.

The major users of PFM TA during the year were **Fiji, Tonga, PNG, and Samoa**. The key topics of assistance continued to be assessments under the Public Expenditure Framework Evaluation (PEFA) framework; improving controls and developing internal audit processes; and improving financial reporting.

The PEFA framework was updated by the PEFA Secretariat in 2016 with the revised framework now implemented across the region. Multi-phase assessments are now required covering: (1) a review of the progress achieved since the last PEFA, including under the previous framework; (2) completion of an assessment under the new framework, and (3) inclusion of both assessments in the report. This requires

additional assessment effort and lengthens the report. This transitional approach was followed with the **PNG, Fiji, and Tonga** assessments during 2020.

The Tonga PEFA assessment comprised two new innovative aspects, namely a new 'Agile' reporting format and pilot usage of a GRB module, subsequently retitled a 'Gender Responsive PFM' module. Staff from the PEFA secretariat complemented PFTAC resources in the successful application of these innovations. The Fiji and Tonga assessments and the Tongan GRB were finalized, and all documents received the PEFA compliance check. Furthermore, the Tonga assessment report was published.

A GRB assessment was similarly completed in Fiji with ADB support. In a peer-sharing approach facilitated by PFTAC, a Fiji official participated in the Tonga mission and has been very effectively applying these learnings to the Fijian context. The PNG PEFA draft report has been issued and finalized.

After the finalization of each PEFA assessment, PFTAC missions have supported the update of PFM reform plans in Fiji, Samoa, and Tonga. These missions have piloted the application of Volume IV of the recently updated PEFA Handbook. Support to update the Fiji reform plan has

benefited from the participation of PEFA Secretariat staff.

Improvements in Internal audit practices are being observed across the region. While initial efforts focused on the establishment of audit committees, implementation of audit charters and related reporting, recent work has turned to updating planning and audit practices to be consistently risk based. This includes establishing risk-based audit of systems such as procurement, payroll, and budget.

Financial reporting is being enhanced on multiple fronts. Improvements to reporting on financial and non-financial assets continue. It remains problematic in several countries where auditors-general are qualifying areas of concern. During recent missions, PFTAC assisted in the review of issues raised in auditor general management letters to help identify solutions and responses.

In conjunction with the ADB, the Pacific Islands Forum Fishing Agency (FFA), the Parties to the Nauru Agreement (PNA); and the SPC, PFTAC organized a fishing revenue workshop in Honiara to enhance understanding of sustaining the viability of the sector, techniques to estimate revenue and improve fiscal management, and opportunities to improve financial transparency of the fisheries.

### BOX 10. AGILE PEFA ASSESSMENT FOR TONGA

The PFTAC PFM team, together with staff from the PEFA Secretariat and expert consultants, conducted the Agile PEFA and Gender Responsive PFM PEFA assessments in Tonga during November 11 – 22, 2019. The Agile PEFA is a new reporting methodology currently being piloted by the PEFA Secretariat, using the same 2016 indicators and dimensions for scoring.

The Agile format emphasis includes a revised timeframe, a simplified concept note, a revised data collection template, collection of data in advance of field work,

and a simplified, but more rigorous evidence based PEFA report template. The reporting format also places emphasis on the strengths and weaknesses of the PFM systems. Both reports were prepared simultaneously during the mission.

A reporting focus on the Pillar performance, underlying causes of performance and reform activities by pillar allows readers to see a comprehensive picture of PFM by pillar. The PEFA pillars include:

- Budget Reliability

- Transparency of Public Finances
- Management of Assets and Liabilities
- Policy Based Fiscal Strategy and Budgeting
- Predictability and Control in Budget Execution
- Accounting and Reporting
- External Scrutiny and Audit.

The finalized reports are now available for country officials to prepare plan for reforms to improve PFM in Tonga.

A joint workshop co-hosted by the UNDP and PFTAC examined how to improve budget documentation information for stakeholders and users, particularly parliamentary institutions and officials. Representatives from various Pacific Ministries of Finance and Parliamentary Secretariats participated in the workshop as well as officials from the Australian Parliamentary Budget Office and Parliamentary Secretariats of New Zealand and Victoria.

In the **Cook Islands** PFTAC helped:

- (1) provide an assessment of existing policies and procedures in place to evaluate their consistency with provisions of a draft law that is being reviewed.

Extensive support to **Fiji** led to the following achievements:

- (1) adoption of a risk-based audit methodology for the budget process; and
- (2) a full in-country PEFA assessment under PFTAC leadership including post-assessment follow-up to develop a PFM reform program;

In **Kiribati** the focus of PFTAC assistance was:

- (1) consolidation of various diagnostic assessments to assist in a way forward with PFM improvements.

PFTAC's support to **Nauru** is helping make:

- (1) Systematic and procedural changes to improve compliance with IPSAS cash reporting.

PFTAC assisted **Niue** to:

- (1) commence changes to its PFM legal framework.

In **PNG**, the PFTAC PFM program:

- (1) undertook preparatory work ahead of a national PEFA assessment in early FY2020; and
- (2) completed a full national PEFA assessment.

Support to **Samoa** included:

- (1) a mission to review and further develop a PFM reform plan based on the PEFA assessment outcomes; and
- (2) Internal audit improvements by facilitating training and supporting and reporting of a country-wide risk based procurement audit being conducted by several internal audit units within government and related entities.

**The Solomon Islands** benefitted from:

- (1) a mission to establish a framework to report non-financial assets.

In **Tonga** PFTAC completed:

- (1) an in-country Agile PEFA assessment and Gender Responsive budgeting PEFA assessment under PFTAC leadership that included participation from the PEFA Secretariat. A post-assessment follow-up mission helped develop a PFM reform program, and
- (2) training and monitoring of progress for improved internal audit practices.

Help to **Tokelau** included:

- (1) mapping a series of PFM improvements to guide reforms following the 2016 PEFA self-assessment.

**Timor Leste** benefited from:

- (1) participation of the PFM advisor in the Fiscal Reform Commission's Public and Financial Management Seminar for Sustainable Growth and Development.

In **Tuvalu**:

- (1) PFTAC along with PRIF made suggestions to assist with its capital budgeting processes.

In **Vanuatu**, PFTAC's support contributed to:

- (1) developing capability in the Ministry of Finance to improve financial reporting.

### BOX 11. IMPROVING BUDGET DOCUMENTATION

In September PFTAC and UNDP co-hosted a four-day workshop in Suva to assist budget officials to improve budget documentation. Officials from ten countries from the region attended, comprising representatives from ministries of finance and the parliamentary secretariats that support committees that examine budget proposals. The workshop included presentations from civil society representatives; including UN Women, the Pacific Disability Forum, and the

Pacific Islands Association of Non-Government Organizations.

Participants undertook a country self-assessment using pillar II of the IMF's Fiscal Transparency Code (Fiscal Forecasting and Budgeting) which examines performance in the areas of: (i) public participation, (ii) information on investment projects, (iii) performance information; (iv) forecast reconciliations; and (v) timeliness.

The workshop examined two cross cutting issues: (i) climate change; and (ii) gender responsiveness and how government policy in these areas could be better addressed in budget documentation going forward to Parliament.

Very few examples of citizen budget guides exist in The Pacific. Vanuatu presented a draft guide produced with the assistance of UNDP and Transparency International.



Improving Budget Documentation Workshop, Fiji, September 2019

## BOX 12. STRENGTHENING CLIMATE RESILIENCE: THE ROLE OF PUBLIC FINANCE

The Fiscal Affairs Department (FAD) conducted a peer-to-peer seminar on *Strengthening Climate Resilience: The Role of Public Finance* funded by the government of Japan. Senior finance ministry officials from small island states of the Caribbean, Pacific, and Indian Ocean attended the seminar at the IMF headquarters in December. The seminar examined the role of PFM in building climate resilience, focusing on peer experiences and lessons in managing risks. Many of the countries are constrained by limited fiscal space and administrative capacity but face similar challenges with the impact of more frequent and intense disasters and sea-level rise. A critical message was that PFM and public investment management systems are not only critical to ensure efficient recovery after natural disasters, but also the

foundation of getting most resilient results out of limited resources. Key themes that emerged during the seminar for small island states:

- To place adaptation and resilience building at the top of the climate agenda;
- Face significant fiscal space constraints in planning and allocating funds for adaptation and resilience activities—in particular the cost of recovery from natural disasters;
- Are overloaded with multiple diagnostic tools used by various development partners that sometimes lead to inconsistent identification of policy priorities and a fragmented approach to developing a climate resilience strategy; and

- Are finding it difficult to access financing through global climate funds given the complexity of access requirements and limited capacity to submit the level of information required for applications, especially for ex ante resilience building

IMF Deputy Managing Director Zhang emphasized that strong fiscal policies and effective fiscal institutions can set the foundation for resilience building, with a focus on improving physical infrastructure and the financial architecture. FAD Director Mr. Vitor Gaspar underlined the IMF's work on public investment management (PIM) and CCPAs in helping countries build resilience.

### BOX 13. FROM PEFA PREPARATION TO PFM REFORM PLANS – THE EXPERIENCE OF FIJI

The commitment of the Government of the Republic of Fiji to enhance and strengthen Fiji's Public Financial Management (PFM) System commenced when the Ministry of Economy, with the assistance of the PFTAC began discussion on the need to undertake a PEFA assessment that would help measure the successes of Fiji's PFM System. While Fiji had conducted a PEFA Assessment in 2013, the year 2019 was ideal to undertake another PEFA Assessment to review and assess how well Fiji had advanced its PFM system.

In April 2019, preparatory work commenced and was coordinated by the Financial Policy Assurance Unit of the Treasury Division. This constituted the planning phase where the oversight team with the guidance of PFTAC PFM Advisor, Ms. Celeste Kubasta provided initial awareness training on the expectations of using the PEFA 2016 framework with all the divisions of the ministry and other institutions that were going to be assessed. Discussions centered on the pillars and dimensions related to each Ministry division or other government institution, how to

undertake a self-assessment, and how to triangulate the evidence required to be compiled to support the assessment.

The oversight team also continuously clarified PEFA-related issues and evaluated the evidence and self-assessment scores. This approach was particularly beneficial as the Ministry of Economy engaged with all key stakeholders well in advance to prepare for the full PEFA Assessment. In September 2019, the Ministry of Economy welcomed the PEFA assessors through an active engagement including discussions on the self-assessment scores and justifications, requests and sighting of additional evidence, and meetings with other ministries, departments and related entities to obtain additional evidence, confirm findings, and further engage stakeholders in the process.

The Fiji PEFA report was finalized in February 2020. The Ministry of Economy had previously requested PFTAC to engage a PFM Reform Planning Mission in early 2020 on developing strategies to build a stronger and sustainable PFM system while

recognizing the value of developing the systems. In February 2020, the PFM Reform Planning Mission team included two officials from the PEFA Secretariat and an expert from PFTAC. The approach to PFM Reform Planning was an engaging bottom-up approach which saw Division Heads and Heads of Institutions formulate action plans based on their own views, needs and assessment of available resources. They were also able to consider the capacities to ultimately improve and sustain Fiji's PFM System.

The plan is intended to be a living document. That will allow updates as issues change. The initial plan was discussed with donors and development partners and will continue to be used as a tool with donors and technical assistance providers to enable Fiji to implement PFM reforms on a timely basis, with support, as needed.

***Ms. Makereta Konrote  
Permanent Secretary  
Ministry of Economy  
Fiji***

**TABLE 10. PEFA and PIMA ASSESSMENTS AND PFM ROADMAPS IN PACIFIC ISLAND COUNTRIES**

Country	Most Recent External	Number of PEFA's (Final)	PFTAC Guided Self-Assessments	Planned PEFA's	Completed PIMA	Most Recent Roadmap	Roadmap Development Support	Planned Roadmap Development
Cook Islands	2014	2	2013	Agile: FY21	-	2016	Self	-
FSM	2012	1	2016	-	-	2018	Self	-
Fiji	2019	2	2019	-	-	2020	PFTAC/PEFA Secretariat	-
Kiribati	2009	2	2017	-	2018	2011	EU	-
Nauru	2010	1	2016	-	-	Revised	ADB/PFTAC	FY19
Niue	2011	1	-	-	-	Revised 2014	PFTAC	-
Palau	-	0	2013	Agile: FY21	-	-	-	FY21
PNG	2019	4	2014-15	-	-	2015	PFTAC/FAD	FY21
RMI	2012	1	2012	-	-	2013	PFTAC	-
Samoa	2018	4	2013	-	-	2020	PFTAC	-
Solomon Islands	2012	2	2012	-	-	2018	PFTAC	-
Timor Leste	2019	3	-	-	2017	-	-	-
Tokelau	-	0	2018	-	-	2019	PFTAC	-
Tonga	2019	2	2014	-	-	2014	PFTAC	-
Tuvalu	2011	2	2015	-	-	2017	PFTAC	-
Vanuatu	2012	3	2015	-	-	2016	PFTAC	-



22nd Pacific Association of Supreme Audit Institutions (PASAI) Congress, Fiji, August 2019

# MACROECONOMIC PROGRAMMING & ANALYSIS

## MAIN ACHIEVEMENTS

- (1) The **Cook Islands** joins a small group along with the French and US Pacific territories that are considered developed island nations. A PFTAC macro program TA report that estimated the economic and revenue contribution of the international financial services industry in the Cook Islands was published. Recommendations from surveillance type TA led by APD were provided to the authorities in a TA report;
- (2) **BPNG** and Department of Treasury co-hosted a sub-regional workshop on Fiscal Frameworks for Pacific Countries that was delivered by PFTAC and the IMF's Singapore Regional Training Institute (STI). BPNG staff adapted the Monetary and Fiscal Forecasting (MFF) Model for scenario analyses;
- (3) Ministry of Finance staff used the **Samoa** SERF Model to inform Samoa's development agenda for the next 30 year. The exercise culminated in a one-week attachment of a MoF staff member to the World Bank's Sydney office;
- (4) The Central Bank of **Solomon Islands** and Ministry of Finance and Treasury (MoFT) created a joint database that is shared with the National Statistics Office on economic indicators to estimate and forecast GDP. MoFT staff started developing methodology to forecast government expenditure by ministries; and
- (5) **Tuvalu** published their own GDP and inflation forecasts in the 2020 Budget and is the first PFTAC member to share its GDP forecasting framework with their IMF Article IV team. A GDP Forecasting Handbook documenting the GDP forecasting framework was published.



## WORK PROGRAM EXECUTION

The macroeconomic program is focused on: (1) assisting members to develop quantitative tools for use in policy analysis, forecasting, debt sustainability, and external vulnerability analysis; (2) strengthening inter-agency coordination; and (3) sharing experience, knowledge, and expertise among policy analysts and advisors across the region.

In FY2020, the Macro program delivered 10 missions or activities (totaling 90 TA days) and have conducted or contributed to four regional workshops. At the conclusion of the five-year assignment of the outgoing resident advisor, a brief overlap with the incoming advisor occurred in January 2020, considerably shorter than the originally envisaged overlap of six months. COVID-19 travel restrictions resulted in cancelation of one mission in March and another that will be delivered remotely. Before these adjustments, the projected FY2020 outturn was 130 TA days and 12 missions. The Macro program will make significantly greater use of STX in FY2021 than the past.

PFTAC members consider tailored training most effective for building capacity because it develops knowledge and practical tools that can be adapted further through bilateral TA. It also helps strengthen regional and interagency collaboration and peer learning.

With STI support, PFTAC was to deliver

two workshops on *Fiscal Frameworks for Pacific Countries*. The first workshop was held at the PNG Department of Treasury and the second planned for March 2020 in Nadi, Fiji was postponed. The delivered workshop provided a mix of theoretical training, country and group presentations, and practical exercises and discussions. The theory, exercises, and discussions covered implementation, execution, and monitoring of fiscal plans, design of fiscal rules, fiscal transparency, fiscal regimes in resource rich economies, managing fiscal risks and contingent liabilities, and deficit and procyclicality bias. The macroeconomic program was also involved in training events on Managing and Forecasting Fishing Revenues, Compiling National Accounts, and the Use of Administrative Data in National Accounts.

Following the December 2019 Lapse of Time agreement of the PFTAC SC, the Macro program will provide secretariat services over an 18 months period through April 2021 to support a regional Central Bank 'Know Your Customer' initiative to address possible losses of CBR that pose macro-critical risks to several remittance reliant Pacific nations.

In FY2020, the **Cook Islands** joined a small group of Pacific developed island nations. A report from a surveillance type-TA mission led by APD and

supported by PFTAC submitted to the Cook Islands authorities was focused on:

- (1) Policy options for transitioning to high-income status;
- (2) Financial sector stability and regulatory framework; and
- (3) Debt sustainability.

A report that estimates economic and revenue contribution of the international financial services industry in the Cook Islands was the first PFTAC TA report to be published on the IMF website (<https://www.imf.org/en/Publications/CR/Issues/2019/08/14/Cook-Islands-Technical-Assistance-Report-International-Financial-Services-Industry-48585>).

A Reserve Bank of Fiji (RBF) Working Paper "*Estimations of the Output Gap and Potential Output with Natural Disasters: Fiji Case Study*" was published in FY2020. The paper, which is a collaboration by RBF researchers, an economist from the IMF Resident Representative Office, and the PFTAC macroeconomic advisor estimates potential output and an output gap using the IMF's ICD training material and computer code. Potential output and output gap are useful indicators for the conduct of monetary and fiscal policy but is not directly observable.

### BOX 14. MODELLING ATTACHMENT AT THE WORLD BANK IN SYDNEY AUSTRALIA

The SERF is a macroeconomic and fiscal framework model that is used by staff in the Economic Policy and Planning Division (EPPD) of the Samoa Ministry of Finance to produce internally consistent, medium-term economic and fiscal projections. In FY2020 the SERF Model was used to inform Samoa's development agenda for the next 30 year—SAMOA 2040. The exercise was led by Mr. Funefeai Tupufia who was invited to present the results

during a one-week attachment to the World Bank's office in Sydney, Australia. "I was very happy to see how useful this model is to an exercise like this as it makes life easier. I greatly acknowledge PFTAC's assistance in terms of putting together and simplifying the SERF model for our use on case by case basis and the exercise like the Samoa 2040 on which we are currently working on." Funefeai Tupufia, Ministry of Finance.



Mr. Funefeai Tupufia at the World Bank in Sydney Australia, October 2019

## BOX 15. SUB-REGIONAL WORKSHOP ON FISCAL FRAMEWORKS FOR PACIFIC COUNTRIES

With support of the IMF's Singapore Training Institute (STI), PFTAC organized a sub-regional workshop on **Fiscal Frameworks for Pacific Countries** in Port Moresby, PNG for participants from PNG and the Solomon Islands. The BPNG, DoT, Australian Departments of Foreign Affairs and Trade, and Economic Governance and Inclusive Growth Partnership were host partners. A noticeable benefit of the event was its complementarity with the skills acquired by participants in a previous joint financial programming and policies (FPP) course.

PFTAC members consider tailored training most effective for building capacity because it develops knowledge and practical tools that can be adapted further through bilateral TA. It also helps strengthen regional and interagency collaboration and peer learning. The innovation of this workshop was a multi-topic focus on sound fiscal management and PFM. A regional workshop is planned for upcoming financial year commencing May 2020.



Sub-regional Workshop on Fiscal Frameworks, PNG, August 2019

The BPNG and DoT continue to lead CD for macroeconomic analysis and forecasting at their institutions, the **PNG** public sector and the region.

- (1) The BPNG and DoT co-hosted a sub-regional workshop on Fiscal Frameworks for Pacific Countries that was organized by PFTAC with the support of the STI, the Australian Department of Foreign Affairs and Trade, and the Economic Governance and Inclusive Growth Partnership.
- (2) The BPNG's MFF Model is regularly used in scenario analysis, e.g. to investigate the impact of changes in the exchange rate and the FY2020 Government Budget.

Work is ongoing to incorporate enhanced GDP compilation methods into forecasts and develop composite indexes of indicators to estimate and forecast non-mineral and mineral GDP.

Staff at the **RMI** Ministry of Finance are continuing to enhance medium term budget planning by:

- (1) Enhancing budget processes and documentation;
- (2) Developing fiscal analysis tools including monthly debt projections; and
- (3) Developing a medium-term fiscal framework.

Fiscal projections are consistent with the US Graduate School's economic forecasts.

The **Samoan** SERF model has been used by Ministry of Finance staff since 2009 to produce economic and fiscal forecasts for the budget. From time to time staff request PFTAC assistance with modifying and enhancing the model. In FY2020 the SERF Model was adapted to:

- (1) Incorporate changes to budget documentation following completion of a PEFA Assessment;
- (2) Assess the effects of exchange rate changes via a trade weighted index; and
- (3) Evaluate the impact of new loans and changes in the exchange rate.

Work with the Samoa Bureau of Statistics (SBS) is progressing to improve the measurement of capital grants and net acquisition of nonfinancial assets.

Staff at the Central Bank of **Solomon Islands** and the Ministry of Finance and Treasury are collaborating to enhance their macroeconomic and fiscal frameworks. The upgrade includes:

- (1) Reporting and forecasting of the fiscal sector on a GFS basis;
- (2) Deriving current year estimates when partial monthly or quarterly data for the year are available with four

different methods; and

- (3) A joint database of economic indicators to estimate and forecast GDP that is shared with the National Statistics Office.

MoFT staff also started developing methodology to forecast government expenditure by ministries.

Staff at the **Tonga** Ministry of Finance continue to use and enhance tools developed in joint TA provided in FY2016 by PFTAC and a secondee from the Reserve Bank of New Zealand. In FY2019, the Chief Economist assisted staff at the Tuvalu Ministry of Finance and Economic Planning to develop a GDP forecasting framework that was documented in a GDP Forecasting Handbook. The Handbook was published in FY2020 on the IMF website in a PFTAC TA report.

Staff at the **Tuvalu** Ministry of Finance and Economic Planning no longer have to rely on IMF GDP and inflation forecasts to produce revenue forecasts for the Budget. A GDP forecasting framework that was developed with the assistance of PFTAC and Tonga Ministry of Finance was used to produce GDP and inflation forecasts for the 2020 budget. Tuvalu is the first PFTAC member to share their GDP forecasting framework with an IMF Article IV team.

In FY2016, PFTAC assisted staff at the **Vanuatu** Ministry of Finance and Economic Management (MFEM) and the Reserve Bank of Vanuatu (RBV) to

develop economic and fiscal forecasting. Tools continue to be used at the RBV and were enhanced further at MFEM to

support revenue and cash forecasting.

The RBV hosted the 2019 South Pacific

Central Banking Research for Policy Conference.

### BOX 16. REGIONAL WORKSHOP ON MANAGING FISHING REVENUES

PFTAC and the ADB co-hosted a sub-regional workshop at the Forum Fisheries Agency (FFA) headquarters in Honiara in August 2019 with representatives from ministries of finance and marine agencies. The workshop aimed to improve the exchange of information between these two agencies at a national level

incorporating inputs from several representative organizations in the region including the: ADB; PFTAC; FFA, the Parties to the Nauru Agreement (PNA); the Secretariat of the Pacific Community (SPC) and the IMF Resident Representative for the Pacific.

The workshop provided an overview of

the fishing sector, examining fishing stocks and their viability into the future and participants made presentations on developments in their countries fishing sector. The workshop specifically looked further into how to improve transparency and fishing revenue estimates for prudent fiscal management.



Regional Workshop on Managing Fishing Revenues, Solomon Islands, August 2019

# MACROECONOMIC STATISTICS

## MAIN ACHIEVEMENTS

- (1) Providing general and targeted training to local staff to build compilation capacities;
- (2) Improving the timeliness of GDP data by introducing quarterly GDP programs in several countries;
- (3) Extending the coverage of national accounts by implementing expenditure side GDP compilation;
- (4) Improving the use of tax and other administrative data to supplement or replace business surveys in the compilation of gross domestic product (GDP);
- (5) Compilation, dissemination and timeliness of GFS for the BCG, and expanding coverage to the GG;
- (6) Ensure that new national CoA are mapped and aligned to the classifications according to the Government Finance Statistics Manual 2014 (GFSM 2014) for automation in the financial systems; and
- (7) Increase the coverage in the compilation of public sector debt statistics (PSDS).



Regional Workshop on GFS Classification, Compilation and Dissemination, Fiji, August 2019

## WORK PROGRAM EXECUTION

### Government Finance Statistics

A new GFS advisor arrived in April 2019 to continue with the Phase V Program, replacing the previous advisor who continued supporting the region in his new assignment at the IMF's Statistics Department in Washington. As per the request of the PFTAC member countries, and with the support of the IMF's Statistics Department, the GFS program has been extended for one year from May 1, 2020 through April 30, 2021.

Over FY2020, 7 GFS missions (totaling 106 TA field days) were delivered: 77 days by the PFTAC GFS resident advisor and 29 days by STX. This is effectively 95 percent delivery (TA days) of the workplan as adjusted at mid-year.

The program also delivered one training event: a regional workshop in August 2019 in Fiji focused on the balance sheet and public sector debt statistics. Attending the workshop were 33 officials from 13 member countries, all except Palau, who were unable to attend due to staff constraints and ongoing work.

The main themes in FY2020 for the GFS program were:

- (1) Assisting in the coding and mapping of the new national chart of accounts aligned to the guidelines provided through the *GFSM 2014*. A new information system went operational in the **Cook Islands**, while reforms progressed in **Fiji, FSM, Palau, and RMI**. These reforms may see potential improvements in producing financial statistics and will ensure improved timeliness if the GFS is automated as part of the process;
- (2) Assisting in the compilation and dissemination of GFS for the BCG for decision making and IMF surveillance as well as for reporting to the IMF's GFS annual database. 12 reports were submitted with data to

the annual database, one less than in FY2019. Hands on training in the GFS compilation process was provided in **FSM, Palau, and RMI**. Remote assistance was provided to compilers in **Nauru, Samoa, Solomon Islands, and Timor Leste**, to report their GFS data;

- (3) Expanding coverage to the GG, with progress in data preparation in **Fiji, FSM, Palau, RMI, Solomon Islands** and **Vanuatu**. **PNG** finished expanding the GFS coverage to its national budget volume II with further improvements to the overall budget compilation process aligned to the GFSM 2014;
- (4) Increasing coverage in the compilation of PSDS, with progress made in **Cook Islands, Fiji, Palau, FSM, RMI, Solomon Islands, and Vanuatu**; and
- (5) Preparing detailed business process documentation to better understand compilation processes in **Cook Islands, FSM, Palau, RMI, Timor-Leste** and **Solomon Islands**.

### Real Sector Statistics

After a change in the RSS resident advisor in the previous year, work returned to normal levels in FY2020. The final outturn of the updated workplan is 68 percent, with 13 of 19 planned missions/activities delivered, utilizing 176 days (89 LTX days and 87 STX days) of TA delivery versus a plan of 252 days. Of the 13 delivered missions, two covered External Sector Statistics to **Fiji** and **Tuvalu** respectively. The late postponement of two missions in March and April due to COVID-19 travel restrictions led to a net reduction of 18 TA days. Before these changes, the projected outturn had been 15 of 19 missions (79 percent outturn) and 204 of 252 TA days (81 percent outturn).

Two regional workshops were delivered with one concentrating on the use of administrative data (held in RMI in

September 2019 in conjunction with the Revenue and Macro programs) and the other on annual national accounts in Fiji (with Macro program inputs).

The most important achievements in FY2020 were:

- (1) Implementing a quarterly national accounts program in **Fiji**;
- (2) Splitting up **PNG's** agriculture industry and its components;
- (3) Introducing a program on expenditure side GDP calculation on an annual basis in **Samoa**;
- (4) Updating the business register in **Kiribati**;
- (5) Finalization of rebased National Accounts through 2018 in **Tonga**;

The sole objective of the RSS program is to *strengthen macroeconomic and financial statistics compilation and dissemination*.

Reliable macroeconomic statistics (National Accounts and Balance of Payments) are essential for evidence based economic policymaking by country authorities. They also provide the private sector, foreign investors, rating agencies, and the general public with important inputs in their decision-making, while informing economic analysis and IMF surveillance. The Macroeconomic programming and analysis program also rely heavily on high quality data for monitoring, analysis, and research purposes available for policymaking.



GFS Advisor presenting during a mission to PNG, January 2020

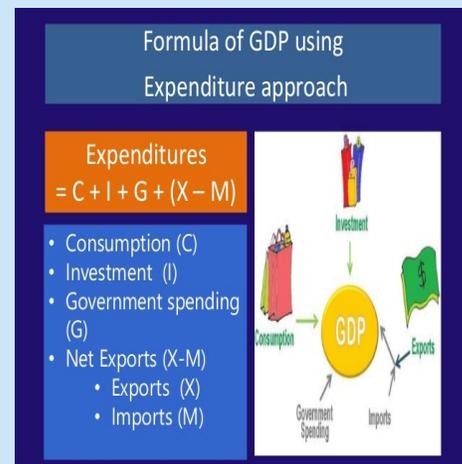
## BOX 17. IMPLEMENTING GDP BY EXPENDITURE IN SAMOA

Gross Domestic Product (GDP) as a measure of a country's production can be measured and presented in different ways. Due to better data availability, most countries derive GDP by production as a first step, where total production is broken down by the output of contributing industries reflecting the business structure of the country.

However, for economic policy, analysis and surveillance purposes, a break-down of the total economy's production by demand components as provided by the GDP by expenditure approach is more informative.

Economic models used for short term forecasting are typically based on demand side components: Final Consumption of Private Households, Government Final Consumption, Gross Capital Formation, Exports and Imports.

Fiscal policy directly affects economic demand through rather homogeneous reactions of households and firms which can be modeled. Until recently, Samoa just produced GDP by production on a quarterly basis. A PFTAC mission assisted the statistical office in compiling first time GDP by expenditure on an experimental basis.



CD in this field aims to improve the ability of member countries to compile independently and timely high-quality data, to make them available to the public, to provide information about their reliability, and to provide expertise about methods and data sources.

In the **Cook Islands**:

- (1) GFS data was submitted to the IMF's annual GFS database;
- (2) compilation of quarterly GFS began;
- (3) business processes were documented for the compilation and dissemination of GFS; and
- (4) a March 2020 mission was planned to finalize and publish the latest GDP figures.

**Fiji** received assistance on statistical issues towards:

- (1) compilation of a geographical breakdown of inward FDI by residence of direct investor for the period 2012 to 2018;
- (2) quarterly External Debt tables for the period March 2011 to March 2019 for the total economy, as well as breakdown between public and private sectors;
- (3) refining the BCG time series

(2010-2018) to incorporate classification adjustments;

- (4) expanding coverage towards GG and progressing on consolidation; and
- (5) implementing a quarterly national accounts program for compiling quarterly GDP by production.

Technical assistance to **FSM** included:

- (1) reviewing the compilation process for BCG and State Governments;

In **Kiribati**, developments included:

- (1) updating production and expenditure side GDP to 2018;
- (2) developing a new VAT database; and
- (3) updating the business register and assistance in drafting a business survey.

In **RMI**, technical assistance helped:

- (1) the authorities to develop National Accounts independently of external providers with PFTAC support towards determination of value-added estimates for some production activities;
- (2) assist in the compilation and dissemination of quarterly GFS; and

- (3) expanding coverage towards GG and progressing with consolidation.

In **Palau**, PFTAC's support contributed to:

- (1) expanding coverage towards GG and making progress with consolidation;
- (2) compiling data for public corporations;
- (3) reviewing the economic and functional GFS codes to automate GFS in the new financial system; and
- (4) expanding coverage towards GG, making progress with consolidation.

In **PNG**, the PFTAC assistance helped with:

- (1) further disaggregating the agriculture sector in fishing, forestry, crops and animal production;
- (2) improving the data base used for compiling construction production;
- (3) review of national budget volume II and advice for 2020 budget implementation;
- (4) submitting quarterly GFS for inclusion in the International Financial Statistics database; and

- (5) making progress in institutional unit classification.

In **Samoa**, technical assistance mainly focused on:

- (1) assisting the Samoa Bureau of Statistics with the implementation of an annual GDP by expenditure program; and



RSS Advisor assisting the PNG Statistics Official, February 2020

- (2) reviewing implemented improvements in methods for compilation of GDP by production.

In the **Solomon Islands**, the PFTAC program contributed to:

- (1) developing a system for the compilation of PSDS; and
- (2) analyzing and reclassifying data on subventions and grants.

The focus of PFTAC assistance to **Tonga** was:

- (1) reviewing the last rebase to the benchmark year 2016; and
- (2) conducting a feasibility study on the implementation of a quarterly National Accounts program.

In **Tuvalu** PFTAC assisted in:

- (1) compiling the balance of payments and international investment position for the period 2017-2018 and revise previous years; and

- (2) providing on-the-job training to the CSD staff on reporting ESS using the Integrated Collection System.

In **Vanuatu**, PFTAC's support contributed to:

- (1) improving the methods for data quality control and replacement of mission data;
- (2) the guidance of a feasibility study on the implementation of a quarterly National Accounts program, and
- (3) an April 2020 mission will assist in the mapping of economic functional codes to automate GFS in the new financial system.

## BOX 18. FACILITATING EFFECTIVE EXCHANGE AND USE OF ADMINISTRATIVE DATA IN NATIONAL ACCOUNTS

Administrative data plays a significant role in enhancing the quality of national statistics. Tax administration and other government agencies (social security (provident funds)) who collect administrative data provide much needed synergy and strengthen source data compilation that is cost efficient, and supports better decision-making, policy advice, and economic performance. A two-way sharing of data also helps to identify pattern to manage compliance and measure the tax gap while also improving macroeconomic forecasting.

The three-day joint regional workshop between the PFTAC RSS, Revenue, and Macroeconomic programs on Facilitating Effective Exchange and Use of Administrative Data in National Accounts regional workshop provided an excellent opportunity to discuss with tax officials and statisticians the possibility of compiling national accounts statistics using tax data such as VAT. Also discussed were problems and opportunities with data-



sharing as well as the data sharing arrangements and mechanisms to facilitate the flow of data between economic institutions.

The Cook Islands and Samoa are two countries that utilize administrative data for

the compilation of national accounts, so they shared their experience with the rest of the participants providing a practical perspective of data and information sharing practice and arrangements. The workshop followed the annual PITAA Heads meeting at Majuro, RMI.

## BOX 19. PACIFIC STATISTICS STANDING COMMITTEE (PSSC) MEETING

The annual meeting was convened in Noumea, New Caledonia, October 28-29 with PFTAC represented by the GFS Adviser, Mr. Luis Temes Castrillón, who had the opportunity to meet many Government Statisticians from the Pacific as well as other statistical development partners including the Pacific Community (SPC), ABS, PIFS, the United Nations, the World Bank, and New Zealand Statistics.

The conference focused on the progress and updates on the implementation of the SPC's Ten-Year Pacific Statistics Strategy

(TYPSS) 2010-2020. The committee summarized the specific findings of the RMI Household Income and Expenditure Survey Experiment (HIES) to test optimized methods for collecting socioeconomic data.

Kiribati presented the report on its recent HIES, which included the benefits of CAPI and dealing with limited internet connectivity, and the need to incorporate risk management in all aspects of the survey. SPC, UNICEF, and UNFPA proposed the establishment of a Pacific Statistical Collections Financing Facility, to be used to fill in-country and technical

support resource gaps, which pose a risk for the Pacific Island countries and territories (PICT) to not achieve their census and survey schedule.

The meeting also provided the NSOs the opportunity to present their main statistical issues, challenges, and developments during 2019.

PFTAC had the opportunity to make a presentation on the progress made on macroeconomic statistics in the region and explained its workplans to the committee.



2<sup>nd</sup> Pacific Statistics Standing Committee, New Caledonia, October 2019

# FINANCIAL SECTOR SUPERVISION

## MAIN ACHIEVEMENTS

- (1) Contribute to macroeconomic stability and growth through stable, well-supervised financial institutions that contribute to financial inclusion;
- (2) Development and implementation of Financial Supervision Framework Enhancement strategies;
- (3) Supporting and facilitating banking regulation reform; and
- (4) On-site financial sector examination capacity building.



17<sup>th</sup> Annual Meeting of the Association of Financial Supervisors of Pacific Countries (AFSPC), Tonga, September 2019

## WORK PROGRAM EXECUTION

### Financial Sector Supervision

The FSS FY2020 program contributed to significant enhancement and reform of the financial sector regulatory and supervision frameworks of member countries. The provision of TA continued to assist countries modernize their risk-based supervision frameworks and to provide support in reforming some long-standing gaps and inefficiencies in supervisory systems. Work continued with the Supervision Framework Enhancement Program, the Banking Regulatory Reform project, the Insurance Regulatory Reform project, and new in FY2020, PFTAC made a start on assisting member countries develop a regulatory framework for cyber risk.

Overall, the FSS program delivered 13 of 18 planned missions/activities (72 percent outturn) in FY2020, using 185 days of field TA versus 229 planned days (81 percent outturn), comprising 54 LTX days and 131 STX days. Prior to the late postponement of missions in March and April due to COVID-19 travel restrictions, the FSS program was on track to deliver 16 of 19 missions (84 percent outturn) utilizing 207 TA field days (90 percent outturn). The need to postpone missions and delay 34 TA days late in the FY has significantly reduced the final outturn.

<p><b>Strategic:</b> CD is based on targeted projects aimed at fundamental enhancement and reform of regulatory and supervisory frameworks, over a 2-4-year timeframe.</p>	<p><b>Focused:</b> CD projects are formulated on mutually assessed and agreed needs; and in line with the recipient's strategic goals and ability to absorb the CD.</p>
<p><b>Innovative:</b> Methods of CD delivery are adjusted to recipient circumstances, TA and training resources, IMF/PFTAC coordination and time constraints.</p>	<p><b>Efficient:</b> Practical durable CD is delivered through multilateral expandable projects.</p>

The success of PFTAC's FY2020 workplan is mostly attributed to a strategic focus that builds on foundational efforts around four key pillars: Strategic, Focused, Innovative,

and Efficient (see box).

### Supervision Framework Enhancement Program

PFTAC initiated a medium-term strategic approach in 2017 to assist Pacific countries to enhance the structure and operational effectiveness of their FSS frameworks. Initial diagnostic missions and the establishment of medium-term supervision enhancement strategies (MTSES) and TA plans were completed in 2017 for **the Cook Islands, Vanuatu, PNG, and the Solomon Islands**.

To develop MTSES and TA plans, PFTAC and the supervisory authorities of the member countries assessed the structure and operation of the supervision frameworks, in relation to the size and complexity of their respective financial sectors, and against international supervision standards and practices.

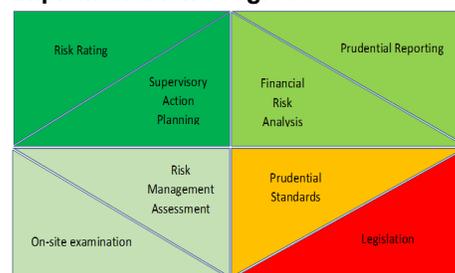
The assessment focused on four key components of risk-based supervision (RBS) frameworks:

- (1) Regulation (legislation, prudential standards, licencing);
- (2) Risk identification and assessment (off-site and on-site supervision processes);
- (3) Risk-rating models; and
- (4) Supervisory action planning.

Since 2017, PFTAC has undertaken 21 missions on the project (**PNG (8), Cook Islands (6), Vanuatu (3), Solomon Islands (5)**) across all key components. These missions account for a large share of FSS program resources utilized since 2017. The Risk Rating and Supervisory Action Planning Enhancement component of the project is largely complete, with all countries now having new risk rating models with RBS action planning infrastructure developed with PFTAC assistance. The only work remaining on this component is to assist the authorities finalize and imbed the reform. On-site examination process and infrastructure development has progressed steadily. PFTAC has commenced this work with all countries

except Vanuatu; has finalized the work in the Cook Islands and will do so for PNG and Solomon Islands in FY2021. Work on the off-site supervision component of the project (financial analysis and prudential reporting) commenced in FY2020 and the finalization of this reform will be a priority for FY2021. As regulatory reform and enhancement is the area of least attention so far, it will be a focus in FY2021. Work commenced in FY2020 on prudential standards for the Solomon Islands, and the Cook Islands have formally issued a new suite of prudential standards. However, PFTAC has not commenced work on prudential standards reform with PNG and Vanuatu; and no work has commenced on legislative reform for any country.

### Implementation Progress



### Banking Regulatory Reform

In late 2016, the **RMI** Banking Commission, the **FSM** Banking Board and the Financial Institutions Commission of **Palau**, requested TA to enhance their banking legislation and prudential standards frameworks. In response, PFTAC and the IMF Legal Department (LEG) conducted a Regional Workshop for these authorities in Guam in July 2017.

The workshop provided information to participants on international good practice on banking legislation and prudential standards (content and structure); facilitated a self-assessment of current legislation and standards against international standards; and established a proposed regulatory reform strategy and TA plan for each jurisdiction. Representatives from the **Kiribati** Attorney General's Office and the Kiribati Ministry of Finance and Economic Development also participated to learn about banking regulatory frameworks.

## BOX 20: ASSOCIATION OF FINANCIAL SUPERVISORS FOR PACIFIC COUNTRIES (AFSPC) 2019 ANNUAL MEETING: “THINKING OUTSIDE THE BOX”

In September 2019, AFSPC held its 2019 Annual Meeting in Tonga that was organized and funded by PFTAC. The AFSPC works to strengthen financial sector and supervisory best practice and promote cooperation and information sharing in Pacific financial regulation and supervision. The meeting included a three-day workshop on financial sector topics that the AFSPC has not previously dealt with that provided members

information to address supervision framework gaps and key regional risks. A series of presentations drawing on global experience was delivered by Sathyan David, previously from the Reserve Bank of India, who elaborated on non-bank financial institution regulation and supervision. A senior financial sector expert, Peter Dirou from the ADB's Private Sector Development Initiative led discussions on financial

sector infrastructure in the Pacific including a presentation from Professor Ross Buckley on crypto currencies and initial coin offerings. AFSPC members were privileged to benefit from these presentations (that are available on PFTAC Facebook page at: <https://bit.ly/2pqFYFy>) which assisted the AFSPC to start thinking about the potential impacts of crypto currencies on their financial systems.

The regulatory reform program continued in FY2020 with the first bilateral follow-up mission to **FSM** (July 2019), with further work planned for April 2020 (now to be undertaken remotely due to travel restrictions). This completed the first round of follow-up missions, with **Palau** and **RMI** missions being completed in FY2019.

The project has suffered delays and is about 12 months behind original expectations agreed between PFTAC, the IMF's Legal Department (LEG) and the respective authorities, mainly due to constraints in mobilizing LEG resources, but also due to other priorities for RMI. As a result, PFTAC and LEG commenced using short term legal experts backstopped by LEG to ensure that some progress was made in FY2020. Continuation of this project is a priority for FY2021.

### Insurance Regulatory Reform

Using the banking regulatory reform project structure as a model for insurance regulatory reform, PFTAC and MCM commenced the Insurance Regulatory Reform project in FY2019 by holding a workshop on insurance regulations attended by representatives from the **Cook Islands, Fiji, PNG, Samoa, Solomon Islands, Timor Leste, Tonga, and Vanuatu**. The workshop: (1) provided information on international good practice on insurance legislation and prudential standards (content and structure); (2) facilitated a self-

assessment of current legislation and standards against international standards; and (3) established a proposed regulatory reform strategy and TA plan for **Fiji, Samoa, and Tonga**.

The next phase of the project is to develop an example insurance law and example prudential standards to be used by **Fiji, Samoa, and Tonga** to develop their regulatory frameworks. Throughout FY2020 PFTAC worked on finalizing the draft example law and prudential standards and will follow up this work with a training and familiarization mission to **Fiji, Samoa, and Tonga** as soon as travel restrictions are lifted (this work was originally planned for April 2020).

### Supervision Framework Development

A supervision project was initially suggested in November 2016 with a TA mission agreed for November 2017 with the **Tuvalu** Ministry of Finance and Economic Development (MFED). The Supervision Framework Development Project (SFDP) strategy and TA plan envisages the development of a supervision framework on three coordinated levels:

- (1) Supervision Expert – will be engaged by the MFED under the Banking Commission Act to undertake direct off-site and on-site supervision of the National Bank of Tuvalu and the Development Bank of Tuvalu and develop supervisory capacity of the

MFED;

- (2) PFTAC will assist in developing the supervisory infrastructure and will train MFED staff in all aspects of prudential supervision and will assist the Supervision Expert and MFED with enhancing off-site and on-site supervision practices; and
- (3) MFED staff will be assigned to develop supervisory skills and experience by working with the supervision expert on direct banking supervision. They will benefit from the training provided by PFTAC and the supervision expert and will work with PFTAC on developing the supervisory infrastructure.

PFTAC completed the second follow-up mission in June 2019 to develop with MFED a quarterly prudential return pack and provide training in effective financial analysis. The proposed quarterly prudential return pack covers balance sheet, profit and loss, loan book detail, investment detail, credit quality and basic liquidity.

The hands-on training conducted during this mission provided the necessary background information on the structure of banking business and basic bank financial risk analysis concepts. The MFED staff assigned to start analysis of the financial information will need ongoing guidance from the supervision expert to develop practical financial analysis skills and experience.

## BOX 21. PFTAC/MCM PACIFIC CYBER RISK REGULATION AND SUPERVISION CAPACITY DEVELOPMENT PROJECT

<p><b>A. Origin</b></p> <p>In August 2017 at the AFSPC annual meeting, member countries identified the lack of cyber risk assessment skills and experience as a key risk for their countries' financial sectors, and regionally. As an outcome of the meeting, and as a way of initiating a regional approach to deliver CD in cyber risk to the Pacific, PFTAC and MCM arranged for a cyber risk workshop, supported and delivered by MCM, that was held at the 2018 AFSPC Annual Meeting.</p> <p>The workshop provided an effective introduction to cyber risk and management, and international good practice in regulation and supervision of cyber risk. It also highlighted significant gaps in AFSPC members' cyber risk regulatory and supervision frameworks, and the need for technical assistance and training to address the gaps. The PFTAC/MCM Pacific Cyber Risk Regulation and Supervision Capacity Development Project is designed to implement the required follow-up capacity development regionally.</p>	<p><b>B. Overview</b></p> <p>This PFTAC and MCM joint project will deliver CD on cyber risk regulation and supervision to develop and implement a comprehensive regulatory and supervisory framework for cyber risk, in line with international standards and practice, in PFTAC member countries.</p> <p>The cyber risk regulation development will be in the form of a cyber risk prudential standard, to be adopted and issued by PFTAC member countries. The supervision framework development will encompass cyber risk on-site examination skills and experience and examination tools, including cyber risk assessment guidance modules.</p> <p>The project will bring together technical expertise and resources from PFTAC, MCM and the IMF's Singapore Training Institute (STI). The project will take a distinctly regional approach to developing the framework, to efficiently utilize resources and encourage consistency in regulation across the region.</p>								
<p style="text-align: center;"><b>C. Components</b></p> <table border="1" style="margin: auto;"> <thead> <tr> <th colspan="2" style="background-color: #1a3d4d; color: white;">Cyber Risk Regulation Capacity Development</th> <th colspan="2" style="background-color: #e91e63; color: white;">Cyber Risk Supervision Capacity Development</th> </tr> </thead> <tbody> <tr> <td style="background-color: #d9e1f2;">Cyber Risk Prudential Standard Drafting Workshop (August 2019)</td> <td style="background-color: #d9e1f2;">Finalize and issue Cyber Risk Prudential Standard (by June 2020)</td> <td style="background-color: #ffe0b2;">Cyber Risk On-site Examination Training at STI (April 2020)</td> <td style="background-color: #ffe0b2;">Cyber Risk Onsite Examination program (FY 2021)</td> </tr> </tbody> </table> <ol style="list-style-type: none"> <li>1. <a href="#">Cyber risk prudential standard drafting workshop</a></li> <li>2. <a href="#">Prudential standard development and issuing process</a></li> <li>3. <a href="#">Cyber risk on-site examination training (at STI)</a></li> <li>4. <a href="#">Cyber risk on-site examination program</a></li> <li>5. <a href="#">Cyber risk assessment guidance module development</a></li> </ol>		Cyber Risk Regulation Capacity Development		Cyber Risk Supervision Capacity Development		Cyber Risk Prudential Standard Drafting Workshop (August 2019)	Finalize and issue Cyber Risk Prudential Standard (by June 2020)	Cyber Risk On-site Examination Training at STI (April 2020)	Cyber Risk Onsite Examination program (FY 2021)
Cyber Risk Regulation Capacity Development		Cyber Risk Supervision Capacity Development							
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<p><b>D. Project outputs</b></p> <ul style="list-style-type: none"> <li>❖ Cyber risk prudential standard             <ul style="list-style-type: none"> <li>- for each participant country</li> </ul> </li> <li>❖ Cyber risk assessment guidance module             <ul style="list-style-type: none"> <li>- for each participant country</li> </ul> </li> <li>❖ Cyber risk on-site examination process document             <ul style="list-style-type: none"> <li>- for each member country</li> </ul> </li> </ul>	<p><b>E. Project funding</b></p> <ul style="list-style-type: none"> <li>❖ Cyber risk prudential standard drafting workshop             <ul style="list-style-type: none"> <li>- PFTAC and MCM</li> </ul> </li> <li>❖ Prudential standard development and issuing process             <ul style="list-style-type: none"> <li>- Self-funding by PFTAC member countries</li> </ul> </li> <li>❖ Cyber risk on-site examination training (at STI)             <ul style="list-style-type: none"> <li>- PFTAC, MCM and STI</li> </ul> </li> <li>❖ Cyber risk on-site examination program             <ul style="list-style-type: none"> <li>- PFTAC</li> </ul> </li> <li>❖ Cyber risk assessment guidance module development             <ul style="list-style-type: none"> <li>- PFTAC</li> </ul> </li> </ul>								

The supervision expert has also undertaken an assessment of the strategic direction of the banks in **Tuvalu** and started discussion with MFED on financial sector strategy and infrastructure issues in Tuvalu. This work is important in assisting the MFED to deal with the structural and strategic issues within the financial sector in Tuvalu.

### PFTAC/MCM Pacific Cyber Risk Regulation and Supervision Capacity Development Project

The PFTAC/MCM Pacific Cyber Risk Regulation and Supervision Capacity Development Project commenced in FY2020 with a regulation drafting workshop in August 2019, attended by authorities from **Fiji, PNG, Samoa, and Tonga**. Participation was limited to create a targeted focus group whilst ensuring appropriate regional perspective. Countries were selected based on several criteria, including: (i) work already undertaken on the topic and alignment with strategic priorities,

(ii) capacity to apply internal resources to the work, and (iii) consideration of regional application of PFTAC resources. Following the workshop, participants were tasked with finalizing an example prudential standard for cybersecurity, which has since been provided to all PFTAC members to use in developing their own country-specific standards. Workshop participants are now finalizing their national prudential standards on cyber risk, which are expected to be released for industry consultation during

the first quarter of 2020.

The next stage of the project is a cyber risk onsite examination training course at STI, originally to be held for all PFTAC member countries in April 2020 but now postponed. The course will provide an overview and training on key elements of the above draft example prudential standard, and the key elements of cyber risk and its management (e.g., how to undertake an assessment of the risk onsite at supervised financial institutions, and effective onsite examination structure and procedure). The STI training will then be followed by a regional

TA program for onsite examinations on cyber risk at commercial banks in PFTAC countries.

### AFSPC Annual Meeting

PFTAC continued its secretariat and sponsor role for the AFSPC in FY2020, with the annual meeting being hosted by the National Reserve Bank of Tonga (NRBT) in Nukualofa in September 2019. This year's meeting brought together a wide range of experts from as far afield as India and assisted members think about emerging trends in the financial sector and its regulation and possible

impacts on their financial systems. PFTAC would like to especially thank the NRBT and Governor Kioa and his team for an excellent event.



Peter Dirou, Senior Financial Sector Expert, PSDI presenting during AFSPC, Tonga, September 2019



The Pacific Cyber Risk Regulation and Supervision Project - Prudential Standard Drafting Workshop, Fiji, August 2019

SECTION III

**WORK PROGRAM**  
(MAY 2020 – APRIL 2021)

# SUMMARY AND OVERVIEW

This section summarizes the work program developed for delivery over the period May 1, 2020 to April 30, 2021, corresponding to the 2021 IMF fiscal year (FY2021). The work program reflects the strategic objectives programmed over the fifth operational phase of PFTAC financing, covering the period November 2016 – April 2022.

## PRE COVID-19 BASELINE

Development of the FY2021 workplans was launched in late 2019 before the emergence of the COVID-19 crisis. As reported in Section I, the FY2020 outturn was affected by the crisis with all in-country missions suspended from early March, replaced where possible by remote delivery modalities, but with some activities postponed or canceled. Where feasible, some of these delayed activities were added to the FY2021 workplans, with a modest budget carry-forward of US\$400,000 for STX costs.

The initially endorsed FY2021 workplans and budget were based on the optimistic resumption of activity and travel from May. Given the uncertainty in April, endorsement was secured by the SC of these baseline plans and budgets to reflect the member country needs as they stood in late February 2020 before the crisis unfolded other than some marginal changes to reflect early impact of the crisis.

## WORKPLAN ADAPTATION

The FY2021 workplan must adjust dynamically to the evolving situation. During July 2020, the PFTAC team consulted widely with the member country authorities, the IMF mission chiefs and country teams, and other partners and stakeholders to refine the baseline workplans to better reflect heightened priorities in light of the crisis; to incorporate the initial lessons from remote CD delivery; and to adapt to the absorptive capacity and other constraints faced by the beneficiaries. These considerations were guided by the backstopping departments that had been experimenting with new and innovative approaches to CD delivery. The following chapters reflect the workplans updated in August 2020.

The PFTAC advisors are in close and regular contact with their counterparts to explore their ability to receive the remote delivery of planned CD which depends on connectivity constraints each country faces and the extent to which business activity has been curtailed in response to the pandemic. The PFTAC team will endeavor to deliver everything in the workplan that remains a priority by the beneficiary country and subject to the mobilization of resources. Flexibility is paramount. What may be achieved in a 'normal' in-country mission of a week or two, may take two or three times longer

to schedule the necessary video or audio calls that may entail group conferencing, and to allow time for the provision of required data to maximize the effectiveness of the expert's interactions. Total TA field days may not necessarily expand, 12 days spent in the field may optimally be delivered remotely in an intermittent manner, perhaps a half day over four weeks, or a day or two with a week gap before the next interaction.

The areas of need are shifting, with an urgency for assistance on topics that are crucial to responding to the crisis, particularly relating to fiscal and monetary measures. The close and regular relationships that the PFTAC advisors have with their member country counterparts can ensure nimble and timely responses to new and emerging issues. There is now even more critical for CD efforts to be fully aligned and integrated with the surveillance and stepped-up lending roles that the IMF country mission chiefs and teams are managing.

Innovative approaches will be explored beyond bilateral CD delivery to experiment with tailored training delivery including some workshop events being undertaken remotely, perhaps more targeted audiences in more flexible modalities such as a few hours a day over longer periods.

## STAFFING CHANGES

Two of the team of seven resident advisors were due to depart PFTAC in April 2020 for positions at other IMF centers, namely the PFM advisor Celeste Kubasta and the FSS advisor Benjamin Stefanou. These moves were delayed until June and July 2020

respectively when their successors were recruited to begin their PFTAC assignments, initially remotely until they can move to Fiji. The second PFM advisor, Richard Neves will be finishing his assignment in November 2020 after four years with his successor starting on October 1. The extension of the GFS program enabled the GFS advisor who

joined PFTAC in April 2019 to be extended through April 2021 at which time funding for the program will be exhausted and his departure is anticipated. Finally, recruitment of a junior and additional (fifth) administration team member is paused until after the crisis.

**TABLE 11. FY2021 PLANNED WORKSHOP/SEMINARS**

Sector	Partner	Location	Topic	Estimated Date	Duration (Days)
FSS		Port Moresby, PNG	Annual AFSPC Meeting and Workshop	Mar - Apr, 2021	5
FSS	MCM	Webinar	PFTAC-MCM Online Roundtable Discussion on Banking and Regulation Supervision during the COVID-19 Pandemic	May, 2020	1
FSS	MCM	Webinar	PFTAC-MCM Online Roundtable Discussion on Insurance Regulatory and Supervisory Responses During the COVID-19 Pandemic	Jul, 2020	1
FSS	MCM	Webinar	PFTAC-MCM Online Roundtable Discussion on Cyber Risks of Remote Work during the COVID-19 Pandemic	Jul, 2020	1
FSS	MCM	Webinar	PFTAC-MCM Online Roundtable Discussion on Central Bank Support to the Financial Markets during the COVID-19 Pandemic	Jun, 2020	1
GFS		Nadi, Fiji	Government Finance Statistics Training	Apr, 2021	5
RSS		Webinar	QNA and Seasonal Adjustment	Sep, 2020	5
RSS		Nadi, Fiji	Annual National Accounts (ANA)	Feb - Apr, 2021	5
Macro	STI	Webinar	COVID19 Macroeconomic Impact Webinar	Aug, 2020	2
Macro		Remote	CBR Secretariat Quarterly meetings	May 2020 - Apr 2021	35
Macro/ PFM		Nadi, Fiji	Fiscal Framework in Pacific Countries	Mar - Apr, 2021	5
PFM	HQ/ JSA	Nadi, Fiji	PIMA	Jan - Apr, 2021	5
PFM		Webinar	Budget Documentation and Report Writing	Aug, 2020	5
PFM		Nadi, Fiji	Fiscal Risks and Transparency	Jan - Apr, 2021	5
Revenue	PITAA	Webinar	Managing Large taxpayers	Oct, 2020	4
Revenue		Nadi, Fiji	Managing Compliance Improvement & Effective Data Analysis	Apr, 2021	4
Revenue	PITAA	Webinar	Compliance Improvement Model - Restoring Collections and Compliance post-COVID	Sep, 2020	4
Revenue	FAD/ SARTAC	Webinar	Compliance Risk Management for Tourism in context of COVID-19	Nov, 2020	2
Revenue	OECD/ PITAA	Webinar	Tax Investigations - VAT	Jan, 2021	5
Revenue		Nadi, Fiji	Managing Return Filing and Tax Arrears	Feb, 2021	5
<b>TOTAL</b>					<b>105</b>

**TRAINING/WORKSHOP EVENTS** at the regional or sub-regional level are expected to be up 25 percent with 20 events planned versus 16 delivered in FY2020. However, more than half of the events are short Webinars delivered remotely over a few hours on one or several days reflecting the move to remote delivery and the emphasis on tackling COVID related issues. While some originally planned events were dropped or deferred, several have been retained on the optimistic expectation of travel resuming late in 2020 to allow for in-person or hybrid events in the latter part of FY2021. If travel remains closed, events will either need to shift to a virtual format if feasible or be postponed until FY2022.

Most events are open to all 16 PFTAC member countries, others may target sub-groups, either geographically or where the participating countries share common issues, such as those receiving significant fishing revenues, or facing losses of CBR.

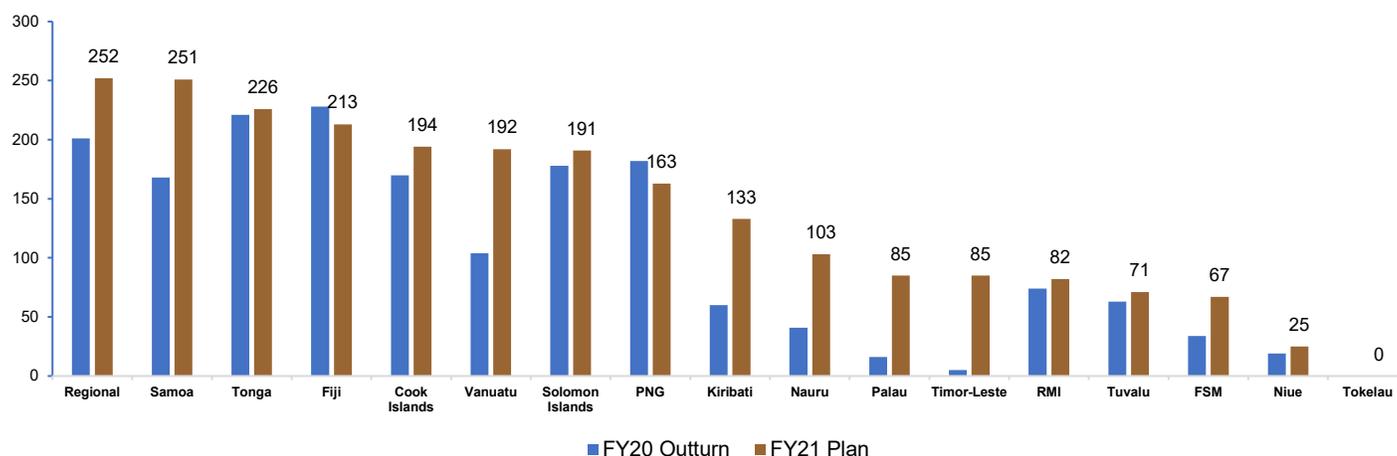
Illustrating the integration of TA and training into seamless CD, it is also quite common for a seminar or workshop to be provided exclusively for the officials of a country receiving a TA mission, particularly under the Macro and PFM programs.

Every PFTAC program is scheduled to deliver at least one training event, with the Revenue program accounting for almost a third of the total. One event will

be delivered jointly by the Macro and PFM programs. This reflects the cross-cutting nature of the Macro program that is focused on building capacity with medium-term economic frameworks and forecasting that is closely related to the capacity building of the other programs around fiscal management, revenue collection, and statistical compilation.

Training collaboration also extends to other parts of the IMF as well as development partners. A customized IMF Fiscal Framework course will be held in Fiji with STI that did not eventuate in FY2020 due to COVID-19. Joint events with PITAA are planned as in the past, as well as with the UNDP and the OECD for the first time.

**CHART 8. FY2021 WORKPLAN (2,333 DAYS) VS. FY2020 OUTTURN (1,764 DAYS)**



**FY2021 WORK PROGRAM** will expand beyond the suppressed FY2020 outturn as follows:

- 2,333 TA Field days are planned (798 LTX and 1,535 STX), up 32.3 percent from 1,764 days.
- 188 Activities are planned (168 missions and 20 workshops/ regional events), up 51.6 percent over 124 activities (108 missions and 16 workshops/ regional events).

The respective workplans are summarized in annexes to the following program chapters. Full FY2021 plan details are available at [www.pftac.org](http://www.pftac.org) from two perspectives, program-by-program and additionally by country.

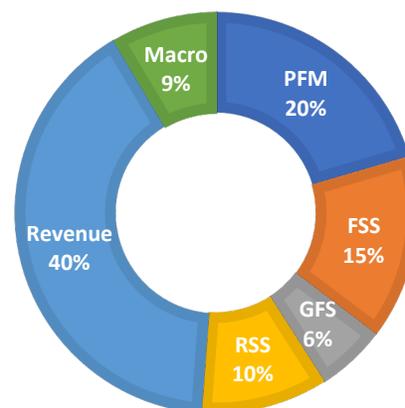
Changes to the overall work program are attributed to:

- The Revenue program will continue at a scaled-up level for most of FY2021 until the additional funding is exhausted or more funds are secured otherwise there will be a return to pre-scaling up levels in FY2022 or slightly earlier. Carryover funds from FY2020 from postponed missions will extend the scaled-up activity level that would have otherwise ended around mid-year. The number of activities will grow 12 percent (64 up from 57), and TA field days by 18 percent (940 up from 799 days). The resident advisor will continue to devote most of his time to manage the program at 71 LTX field days, with 93 percent of the program delivered by STX at 869 fields days.
- An expanded PFM program with more coverage on fiscal reporting and an additional objective on asset and liability management. The TA field days will increase by 17 percent (477 days, up from 408), and 46 percent more activities (35 up from 24). There is a modest increase in the number of LTX days from 155 to 212, plus a fairly

consistent number of STX days at 265 days in FY2021 versus 253 days in FY2020.

- The FSS program will see a 177 percent increase in activities with 36 planned compared to 13 delivered in FY2020 of which 4 missions on insurance regulations are brought forward from FY2020. These include a number of short, COVID-focused Webinars. This will be achieved with 88 percent more Field TA days that will increase from 185 to 347 days following expanded engagement with countries to support the drafting and finalization of banking legislation and prudential standards as well as cyber risk regulations. A significant increase in field days is noted with LTX up by 130 percent (124 days, up from 54) and STX up 70 percent (223 days, up from 131).

**CHART 9. DISTRIBUTION OF FY2021 MISSION DAYS (2,333 DAYS) BY PROGRAM**



- With the new Macro advisor in place from February 2020, activities are planned to increase by 90 percent (19 up from 10), and TA field days will increase 121 percent to 199 from 90 days, predominately STX days (44 up from

0 days) and additionally LTX days (155 up from 90 days). In FY2021, the Macro program will provide additional support to strengthen institutional structures for macroeconomic policy making and the maintenance of CBR for Pacific countries, a new initiative under the PFTAC Macro program.

- Overall, the workplans for the two Statistics programs are expected to deliver 70 percent more activities at 34

**COUNTRY LEVEL** planning will see slightly more than half of the 2,333 days of field delivery in FY2021 provided to six countries, with **Samoa** (10.8 percent), **Tonga** (9.7 percent), **Fiji** (9.1 percent), **Cook Islands** (8.3 percent), **Solomon Islands** (8.2 percent), and **Vanuatu** (8.2 percent). Fiji has traditionally been a major recipient of PFTAC assistance across all programs, and the Solomon Islands and Vanuatu are usually in the top six countries, Samoa, Tonga and the Cook Islands have moved up in recent years from moderate to more intensive beneficiaries, in both cases from expanded engagement in fiscal issues, PFM as well as Revenue where efforts are focused on revenue mobilization including within the context of PACER Plus reforms.

The next seven countries will account for 30.8 percent of PFTAC resources, with **PNG** (7.0 percent), **Kiribati** (5.7 percent), **Nauru** (4.4 percent), **Palau** (3.6 percent), **Timor-Leste** (3.6 percent), **RMI** (3.5%), and **Tuvalu** (3.0%). PNG will receive PFM support on its reform roadmaps and IPSAS Cash with FSS missions on prudential standards, cyber risk regulation and their risk based system. Revenue support to Kiribati will continue to strengthen core tax functions with extensive legal assistance on banking legislation under the FSS program. Revenue support to Nauru, Tuvalu and RMI will be higher in FY2021 to support revenue mobilization objectives with tax diagnostic missions planned for Timor-Leste and FSM. Additionally, assistance on banking legislation is planned for Timor-Leste in FY2021.

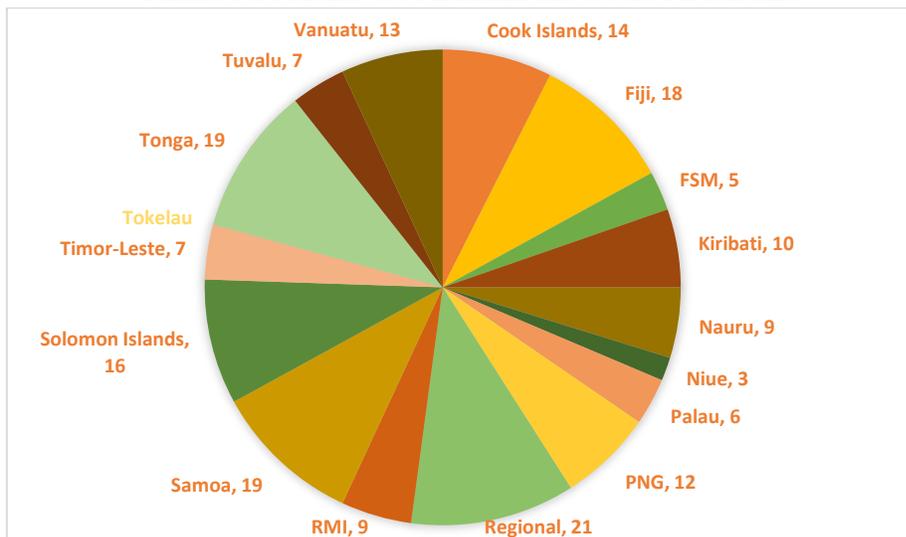
The remaining two PFTAC member countries account for a further 4.0

planned versus 20, attributed to increases in both GFS and RSS programs. However, TA days will increase by 31 percent from 282 days to 370 days. The GFS program that has been extended for a final year will have a program in line with FY2020.

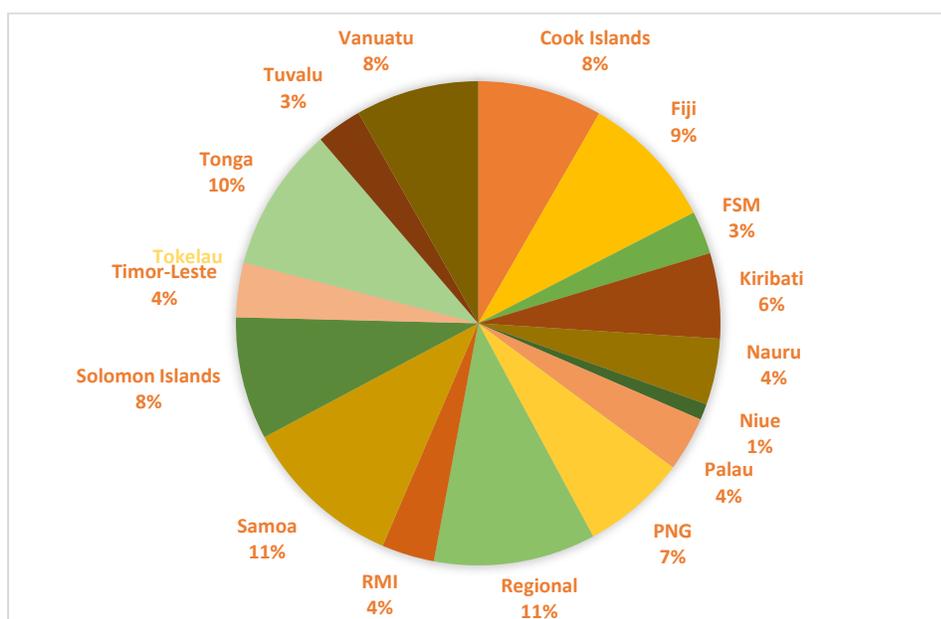
The proportion of resources targeted to the seven fragile Pacific states in FY2021 is approximately the same as in FY2020 at 34 percent (792 of 2,333 planned TA Field Days).

percent of allocated resources for in-country support, FSM (2.9 percent), and Niue (1.1 percent). Even though these planned resources may be initially modest, every country also benefits from regional training events.

**CHART 10. FY2021: 188 PLANNED MISSIONS/ ACTIVITIES**



**CHART 11. FY2021: 2,333 PLANNED TA FIELD DAYS**



A reallocation or reprioritization of resources may eventuate during the mid-year work program review, including the possibility of expansion of programs in Palau and Niue in terms of revenue reform strategies. In both cases, this entails plans to strengthen core tax functions such as improving

taxpayer services and debt and returns management.

A further 10.8 percent of PFTAC resources (252 TA field days) are currently earmarked to regional activities, primarily in the preparation and delivery of 20 planned workshops, seminars, or other events, including

remote training.

Finally, the 2,333 TA Field Days that constitute the FY2021 work program is exclusive of the time spent by the seven resident advisors in managing and overseeing their respective programs from the PFTAC office in Fiji. This amounted to higher than normal.

**TABLE 12. PROPOSED FY2021 BUDGET BY LINE (US DOLLARS MILLIONS)**

	Program Document Budget	Tot Est Ph V Expenses to end-FY20	% of Prog Doc Budget thru end-FY20	FY2021		FY2022	Phase V Outturn	
				Proposed Budget	Change FY21vFY20	Proposed Budget	Total end FY22	PD Diff.
Resident Advisors (Long Term Experts - LTX)	\$12.6	\$7.2	57%	\$2.4	\$0.2	\$2.0	\$11.6	\$1.0
LTX Travel	\$2.3	\$1.3	57%	\$0.4	\$0.1	\$0.3	\$2.0	\$0.3
Short-Term Experts (STX)	\$11.4	\$6.2	55%	\$2.4	\$0.5	\$1.4	\$10.0	\$1.3
Diagnostic Missions	\$1.2	\$0.8	70%	\$0.4	\$0.2	\$0.2	\$1.4	(\$0.1)
Training/Seminars/Workshops	\$6.0	\$2.7	45%	\$1.2	\$0.2	\$0.8	\$4.7	\$1.3
Backstopping/Project Management	\$1.9	\$0.9	49%	\$0.4	\$0.0	\$0.3	\$1.6	\$0.3
Other Costs (Evaluation, misc., etc.)	\$1.6	\$0.8	51%	\$0.4	\$0.3	\$0.4	\$1.6	(\$0.0)
<b>Total TA Provision/Delivery</b>	<b>\$36.9</b>	<b>\$20.0</b>	<b>54%</b>	<b>\$7.5</b>	<b>\$1.6</b>	<b>\$5.4</b>	<b>\$32.9</b>	<b>\$4.0</b>
Trust Fund Management Fee*	\$2.6	\$1.4	54%	\$0.5	\$0.1	\$0.4	\$2.3	\$0.3
<b>Total Trust Charges</b>	<b>\$39.5</b>	<b>\$21.4</b>	<b>54%</b>	<b>\$8.0</b>	<b>\$1.7</b>	<b>\$5.8</b>	<b>\$35.2</b>	<b>\$4.3</b>
IMF and Host Country In-Kind Contribution	\$2.6							
<b>TOTAL</b>	<b>\$42.1</b>			<b>\$8.0</b>	<b>\$1.7</b>	<b>\$5.8</b>	<b>\$35.2</b>	<b>\$4.3</b>

\* Trust Fund Fee is 7 percent of funds utilized for TA delivery

**THE PROPOSED FY2021 BUDGET** of \$US8.0 million including the management fee is less than the FY2020 budget of \$US 8.5 million but if fully achieved would be the highest annual outturn greater than the record FY2019 outturn of \$US 6.8 million. However, this is unlikely as a 90 percent budget outturn is the highest recently achieved. Furthermore, the FY2021 workplan and this underlying budget envelope are predicated on normal CD delivery resuming in late 2020 that is an optimistic expectation. If FY2021 activity is severely curtailed, a significantly suppressed workplan execution and budget outturn may eventuate. The intended FY2022 budget was only 72.5 percent the size of FY2021 budget. However, this was before a higher FY2020 underspend of at least US\$ 1 million eventuated which would facilitate a significantly larger program in FY2022 particularly in a post COVID-19 environment, or alternatively an extension of Phase V beyond the

expected end date of April 30, 2022 could be contemplated.

The FY2021 budget is 27.3 percent higher than the FY2020 budget outturn, yet the planned number of activities is 51 percent higher (188 planned versus 124 delivered activities) but delivered through 33 percent more field TA days (2,333 planned days versus 1,764 days).

The lower budget increase in FY2021 proportionate to the higher activity level can be partly explained by expenses in FY2020 that were not directly related to CD delivery such as the consultant's fees for the external evaluation, as well as prepaid airline tickets for missions postponed due to the COVID-19 crisis that have been credited for use in FY2021 but charged to FY2020.

Otherwise the FY2021 budget is comparable to the FY2020 expenditure outturn, with most lines (LTX salaries,

LTX travel, diagnostic missions, backstopping, and workshops) budgeted between US\$ 100,000 to US\$ 200,000 above the FY2020 outturn per line except for the STX budget that is US\$ 545,000 higher.

The FSS program has a FY2021 budget approximately \$US300,000 higher than the FY2020 outturn and the Macro program US\$ 400,000 higher, whereas the other programs have budgets in line or slightly higher than their FY2020 outturn. The increase in the Macro program is a one-off supplementation to finance the CBR initiative until the end of FY2021, while the FSS increase is partly from a carry-forward of postponed missions late in FY2020 and to finance the completion of delayed legislative drafting efforts.

**TABLE 13. PROPOSED FY2021 BUDGET BY PROGRAM (US DOLLARS MILLIONS)**

	Revenue	PFM	Macro	FSS	RSS	GFS	Other	Total
Resident Advisors (Long Term Experts - LTX)	340,000	678,126	351,790	333,090	324,189	324,188		2,351,383
LTX Travel	62,000	103,589	65,000	57,000	55,000	55,000		397,589
Short-Term Experts (STX)	1,187,998	401,524	205,403	334,722	124,122	39,497	90,000	2,383,266
Diagnostic Missions	150,000	50,000	150,000	-	-	-		350,000
Training/Seminars/Workshops	333,031	167,827	254,415	195,000	155,000	99,451		1,204,724
Backstopping/Project Management	42,844	79,232	-	74,415	73,842	68,902	32,060	371,295
Other Costs (Evaluation, misc., etc.)	20,744	-	-		10,142	10,142	370,233	411,261
<b>Total TA Provision/Delivery</b>	<b>2,136,617</b>	<b>1,480,298</b>	<b>1,026,608</b>	<b>994,227</b>	<b>742,295</b>	<b>597,180</b>	<b>492,293</b>	<b>7,469,518</b>
Trust Fund Management Fee	149,563	103,621	71,863	69,596	51,961	41,803	34,461	522,866
<b>Total Trust Charges</b>	<b>2,286,180</b>	<b>1,583,919</b>	<b>1,098,471</b>	<b>1,063,823</b>	<b>794,256</b>	<b>638,983</b>	<b>526,754</b>	<b>7,992,384</b>

\* Trust Fund Fee is 7 percent of funds utilized for TA delivery

# REVENUE ADMINISTRATION

PFTAC's CD strategy for revenue administration FY2021 maintains a continuation of focus and TA activities working towards:

- **Objective 1:** Strengthened revenue administration management and governance arrangements; and
- **Objective 2:** Strengthened core tax administration functions.

Under the proposed FY2021 workplan, 64 missions/activities are planned versus an expected outturn of 57 missions in FY2020, a 12 percent increase, requiring an expected 940 TA field days (71 LTX and 869 STX), up 18 percent from 799 in FY2020 (43 LTX and 756 STX).

Until late February 2020, the projected outturn for FY2020 was higher, with an expectation of 66 missions being delivered utilizing 981 TA days. The postponement of activities in March and April has suppressed the FY2020 projected outturn and slightly increased the FY2021 plans to compensate for postponed activities.

However, it should be noted that the scaling-up of the revenue program is currently due to conclude in FY2021 unless a third and final tranche of additional financing is provided to allow for its continuation that would result in a slight increase over the current plan for



FY2021 and to ensure FY2022 does not revert back to a significantly lower pre-expansion baseline program.

The CD delivered during FY2020 reflected an upscaling of the Revenue Program over previous years that began in November 2018 so PFTAC could address a large unmet demand for TA. If funding is secured to continue at the up-scaled PACER Plus level, the FY2021 workplans will be adjusted accordingly through CD missions and activities that have already been identified, and the fully expanded program would continue through FY2022 to the end of Phase V.

The FY2021 workplan will continue with increased CD to those countries facing the biggest impacts from the PACER Plus trade agreement. In response to

requests received, support will be provided to **Nauru, Tuvalu, and Samoa** to assess the impact of the PACER Plus trade agreement on tax revenues and to evaluate options to replace possible trade tax revenue losses. The options could include new or enhanced tax instruments, legislative changes, measures to overcome administrative constraints, and improvements to tax administration processes and procedures to improve efficiency and revenue mobilization.

PFTAC will continue to promote the use of the International Survey of Revenue Administration (**ISORA**) and the Tax Administration Diagnostic Assessment Tool (**TADAT**), with both embedded into all training workshops and CD missions. TADAT is a diagnostic tool that provides an objective and standardized

performance assessment of a country's system of tax administration. Implementation of a **MTRS** is also supported by PFTAC for countries undertaking substantive reforms, such as **PNG** currently and forthcoming in the **Solomon Islands**. These tools are increasingly playing an important part to strengthen revenue administration and domestic revenue mobilization and are being promoted to facilitate the transition towards more effective and efficient tax systems.

**AT THE REGIONAL LEVEL**, delivery of the Revenue Administration program in FY2021 includes five regional workshops down from seven in FY2020 (but would increase with additional upscaling funds). The FY2021 workshops will cover the following topics:

- (1) Managing the Large Taxpayer Segment;
- (2) Managing Effective Compliance Improvement and Data Analysis;
- (3) Compliance Risk Management for the tourism sector;
- (4) Management of Debt and Returns for Operations Managers; and
- (5) Tax investigations focused on VAT.

**IN TERMS OF COUNTRY ACTIVITIES**, assistance in FY2021 entails TA delivery to PICs by the resident advisor with a substantially higher proportion provided by STX, managed and backstopped by the resident advisor and HQ staff. A significant proportion of activity in FY2021 will continue to be directed to six countries that are (or plan to be) signatories to the PACER Plus trade agreement, namely **Cook Islands**, **Nauru**, **Solomon Islands**, **Tonga**, **Tuvalu**, and **Vanuatu**. Key PFTAC assistance themes relating to PACER Plus include MTRS, Tax Policy reviews, establishing LTOs, introducing Industry Partnership Strategies (IPS), and Compliance Improvement Strategies (CIS). These themes have been or are being introduced in countries impacted by PACER Plus.

The **Cook Islands** benefited from a substantial increase in capacity building over the past year that will continue throughout FY2021 with five missions to assist with modernization and implementation of a new functional structure, implementation and enhancement of the CIS, improve management of tax return filing and tax arrears, as well as strengthen audit.

**Fiji** continues to be a major beneficiary of PFTAC Revenue CD with eight missions planned for FY2021. Support will be provided to enhance public and private rulings given their criticality to a system of self-assessment; to enhance the industry partnership strategy; and improve taxpayer services with a focus on the micro- and medium sized businesses. Assistance will also be provided with strengthening audit, tax return and tax arrears collections.

**Kiribati** will receive four missions for the introduction of a small business tax, finalization of income tax legislation on seabed mining, and assistance to improve core tax functions.

A tax policy review early in FY2021 will assist **Nauru** with options to recoup losses from trade taxes. Assistance with drafting tax legislation in support of the tax policy decisions will follow later in the year.

Further assistance will be provided on the CIS, improving organizational arrangements and managing large taxpayer compliance. Four missions are a significant increase in assistance over past years.

**Niue** will receive two tax legislation missions to finalize renewal of Income Tax and Tax Administration Acts.

In **PNG** the PFTAC Revenue program has previously contributed to the implementation of a MTRS funded through the Revenue Mobilization Trust Fund and backstopped by FAD.

During January 2020, the PFTAC revenue advisor joined a mission led by FAD that reviewed MTRS progress. Although much is still to be achieved against the MTRS reform objectives, the

intention of PFTAC's participation in the mission was to start moving towards a smooth transition of assistance back to PFTAC after the end of the MTRS reform financed by the Revenue Mobilization Trust Fund. For FY2021, PFTAC will provide two missions to PNG to assist with improving the integrity of the taxpayer register.

**Samoa** will receive six missions to improve risk management and data analysis, implement an industry partnership strategy, improve taxpayer services and strengthen core tax functions, plus a legal mission for the review of tax codes around business licenses.

The assistance to the **Solomon Islands** will decrease from FY2020 with five missions planned to support the development of an MTRS including a pre-mission workshop plus in areas such as enhancing the CIS, establishing a fully-fledged LTO, introduction of a functional structure, and strengthening the audit function.

**Timor Leste** has not received any revenue assistance in recent years, so a mission postponed from March 2020 will undertake a diagnostic review with additional missions possibly flowing from the outcome of the diagnostic review.

Of the 16 PFTAC member countries, 15 will receive CD assistance, with no plans for **Tokelau**.

The excellent reform progress made by **Tonga** will continue to be supported with eight missions including a TADAT assessment mission. Further support will be provided with the implementation of the tourism industry partnership and development of audit methodologies designed for the industry. Support will also be provided to improve risk management and the CIS as well as strengthening core tax functions such as audit, filing, and debt collections.

Tuvalu will receive assistance with a tax policy review, enhancement of the CIS, a focus on large taxpayers, improvements to taxpayer services and strengthened audit.

strategic plan, implement the CIS, and strengthen audit plus improve the management of return filing and tax arrears. A TADAT assessment is also planned.

receiving assistance to improve core tax functions and improve their CIS and **FSM** will initially receive a diagnostic review followed by assistance with a modernization plan to strengthen core tax functions.

Assistance will be provided with six missions to **Vanuatu** to develop a

The Northern Pacific countries will receive a total of two missions with **RMI**

**TABLE 14. FY2021 WORK PROGRAM SUMMARY: REVENUE ADMINISTRATION**

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
<b>STRATEGIC OBJECTIVE 1: BETTER REVENUE ADMINISTRATION, MANAGEMENT AND GOVERNANCE ARRANGEMENTS</b>					
Cook Islands	STX [In-Country]	Implementation of organizational structure	Modernization Business Case developed and submitted for approval	Function based structure introduced by 12/31/2020	Function based structure part of business case for modernization developed with PFTAC assistance to be approved at high level
Cook Islands	STX [Remote]	Tax Policy Review	Pacer Plus will impact on revenue.	Tax Policy decisions approved by 12/31/2021.	Provide authorities with options to recoup losses from trade taxes
Cook Islands	STX [Remote]	Design Compliance Improvement Strategy	Effective implementation and enhancement required	An effective CIS facilitating high levels of compliance implemented by 12/31/20	CIS to Improve monitoring and evaluation of compliance risk mitigation
Cook Islands	LTX [In-Country]	Review reform progress	Periodic review required	Review overall reform progress and status of PFTAC recommendation	PFTAC has provided TA across objective 1 & 2 that needs to be reviewed
Cook Islands	STX [Remote]	Develop Taxpayer Service Strategy	Need to develop a taxpayer service strategy and improve taxpayer services	Taxpayer Service Strategy implemented by 30 June 2021	Functional structure should be implemented to support improvement to taxpayer services
Fiji	STX [In-Country]	Enhance Public and Private Ruling Program	Effective implementation and enhancement required	A public and private ruling process in place by 4/30/21.	Work has commenced on the public and private ruling program put paused, additional technical assistance is needed to support implementation.
Fiji	STX [Remote]	Further assistance with the Industry Partnership approach;	Industry partnership strategy to be designed	Industry partnership developed and implemented by 4/30/2021	Design industry partnership strategy to improve compliance
Fiji	LTX/ FAD [In-Country]	Medium Term Revenue Strategy (MTRS)	Request for MTRS to be submitted	Develop and agree on MTRS by 12/31/20	Design and implementation of an MTRS.
Fiji	LTX [In-Country]	Review reform progress	Periodic review required	Review overall reform progress and status of PFTAC recommendation	PFTAC has provided TA across objective 1 & 2 that needs to be reviewed
Fiji	STX [In-Country]	Presumptive Taxes, Mining provisions, Life Insurance, Transfer Pricing, Tax Treaties and Rulings Acts and Regulations	Renewal and finalization of legislation needed	Modernized laws ready for passage by 4/30/21.	PFTAC is supporting a request by the authorities to modernize their tax laws.
FSM	STX [In-Country]	Diagnostic review of the Tax Administration.	Priority assistance needs to be determined	Identify need for modernization and reform and agree on TA	Visits planned for FY2020 postponed to July at request of authorities
Kiribati	STX [Remote]	Support for Introduction of Small Business Tax	Legislation finalized; assistance needed for implementation	Small Business Tax (SBT) introduced by 12/31/21	PFTAC is supporting a request by the authorities to assist with implementation of SBT.
Kiribati	STX [Remote]	Legal support on Seabed Mining (SBM) legislation	Finalization of seabed mining legislation needed	Modernized laws ready for passage by 4/30/21.	PFTAC is supporting a request by the authorities to modernize their tax laws.
Niue	STX [Remote/ In-Country]	Finalize renewal of Income Tax and Tax Administration Acts	Income tax and tax administration legislation required	Modernized laws ready for passage by 4/30/21.	PFTAC is supporting a request by the authorities to modernize their tax laws.
Nauru	FAD [Remote]	Tax Policy Review	Pacer Plus will impact on revenue.	Tax Policy decisions approved by 12/31/2021.	Provide authorities with options to recoup losses from trade taxes- HQ mission
Nauru	STX [Remote]	Further assistance on compliance improvement strategy, structure (design and monitoring unit) and large taxpayers	Work on compliance improvement strategy, establishing design and monitoring unit and focus on large taxpayers started	An effective structure, CIS facilitating high levels of compliance implemented by	CIS developed to Improve monitoring and evaluation of compliance risk mitigation
Nauru	LTX/ STX [In-Country]	Further assistance on compliance improvement strategy, structure (design and monitoring unit) and large taxpayers	First steps taken with implementing a compliance improvement strategy and modernizing the tax administration	CIS fully implemented; functional structure introduced as well as focus on large taxpayers	Modernization important to mobilize revenue through risk based approach and better utilization of resources.
Nauru	STX [In-Country]	Drafting of Excise Act and Goods Tax Act	Policy review to determine legislative changes required	Modernized laws ready for passage by 4/30/21.	PFTAC is supporting a request by the authorities to modernize their tax laws.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Samoa	STX [Remote]	Implementing industry partnership strategy and improving taxpayer service	Industry partnership strategy and taxpayer service to be improved	An industry partnership initiative targeting high risk industry segments showing compliance improvements by 12/31/20.	An industry partnership strategy to improve compliance has been introduced but due to staff shortages has struggled to get off the ground.
Samoa	STX [Remote]	Renew compliance improvement strategy	Compliance improvement plan needs to be renewed	A renewed CIS facilitating high levels of compliance implemented by 12/31/20	CIS to Improve monitoring and evaluation of compliance risk mitigation
Samoa	STX [In-Country]	Improving risk management – development of framework and Improving data analysis	Risk management introduced	Framework for improved management of compliance risk by 12/31/20	Risk management identified a s a priority area for improvement
Samoa	LTX [In-Country]	Tax Admin reform for PACER Plus /Review reform progress	Periodic review required	Review overall reform progress and status of PFTAC recommendation	PFTAC has provided TA across objective 1 & 2 that needs to be reviewed
Samoa	STX [Remote]	Review of tax codes – rules and regulations, legislation for business licenses	Tax codes in need of review and renewal	Modernized laws ready for passage by 4/30/21.	PFTAC is supporting a request by the authorities to modernize their tax laws.
Solomon Islands	FAD [Remote]	Workshop on MTRS Concepts and Gaps	Request for MTRS design and implementation received	Ensure good understanding of MTRS implementation	PFTAC will partner with ADB on MTRS design and implementation
Solomon Islands	STX [Remote]	Enhancing the compliance improvement strategy	Compliance improvement plan needs to be renewed	An effective CIS facilitating high levels of compliance implemented by 4/30/21.	PFTAC has assisted Fiji in the development of a CIS approach now in its third year. A review will be carried out to measure its effectiveness and suggestions for its further improvement.
Solomon Islands	STX [Remote]	Establish large taxpayer office and functional structure	Design and plans for large taxpayer office finalized	Large taxpayer office established by 4/31/22	Authorities have requested assistance in the design and establishment of large taxpayer office as part of the reforms
Solomon Islands	FAD [In-Country]	Facilitate design of MTRS	Pacer Plus impact and need for increased revenue.	Tax Policy decisions approved by 12/31/2021.	Provide authorities with options to recoup losses from trade taxes and mobilize revenue - HQ mission
Timor-Leste	STX [Remote]	Diagnostic Review	No PFTAC assistance provided over recent years	Priority reforms identified and capacity development assistance agreed.	Diagnostic review to determine program of assistance to be provided by PFTAC.
Tonga	STX [In-Country]	TADAT Assessment	TADAT assessment requested	TADAT assessment completed by 4/31/21	TADAT Secretariat
Tonga	STX [Remote]	Implementing industry partnership strategy	Industry partnership strategy being implemented	An industry partnership initiative implemented targeting high risk industry segments showing compliance improvements by 12/31/20.	An industry partnership strategy to improve compliance has been introduced but due to staff shortages has struggled to get off the ground.
Tonga	STX [In-Country]	Improving Risk management and compliance improvement strategy;	Risk management introduced and compliance improvement strategy implemented - to be renewed	An effective CIS facilitating high levels of compliance implemented by 12/31/20.	Development of a CIS approach now in its third year. A review will be carried out to measure its effectiveness and suggestions for its further improvement.
Tonga	LTX [Remote]	Review reform progress	Periodic review required	Review overall reform progress and status of PFTAC recommendation	PFTAC has provided TA across objective 1 & 2 that needs to be reviewed
Tuvalu	STX [In-Country]	PACER Plus Tax Policy	Pacer Plus will impact on revenue.	Tax Policy decisions approved by 12/31/2021.	Provide authorities with options to recoup losses from trade taxes- HQ mission
Tuvalu	STX [Remote]	Implementation and enhancement of compliance improvement strategy, large taxpayers, Improving taxpayer services	Work has started on compliance improvement strategy and other reforms	An effective CIS facilitating high levels of compliance implemented by 10/31/20	CIS developed to Improve monitoring and evaluation of compliance risk mitigation
Vanuatu	STX [Remote]	Further assistance with compliance improvement strategy	Compliance improvement plan needs to be renewed	An effective CIS facilitating high levels of compliance implemented by 12/31/20	CIS developed to Improve monitoring and evaluation of compliance risk mitigation
Vanuatu	STX [Remote]	Develop Strategic Plan	Strategic plan that will include modernization to be drafted	Strategic plan approved and implemented by 6/30/21	Assistance with development of strategic plans requested by authorities
Vanuatu	STX [In-Country]	TADAT Assessment	TADAT assessment requested	TADAT assessment completed by 11/30/20	TADAT Secretariat
Vanuatu	LTX [Remote]	Review reform progress	Periodic review required	Review overall reform progress and status of PFTAC recommendation	PFTAC has provided TA across objective 1 & 2 that needs to be reviewed
Regional	LTX/ STX [Remote]	Managing Large taxpayers	Training on managing large taxpayers needed	Workshop on LTO delivered by 6/30/2020	Concept of large taxpayer office as key part of mobilizing revenue to be understood

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Regional	LTX/ STX [In-Country]	Managing Compliance Improvement & Effective Data Analysis	Training on compliance improvement strategies needed	Workshop on CIS delivered by 8/31/2020	CIS developed to Improve monitoring and evaluation of compliance risk mitigation
Regional	LTX/ STX [Remote]	Workshop on Compliance Improvement Model	Understanding and application of Compliance Improvement Model	Workshop on CIM delivered by 11/30/2020	Priority training need in terms of PITAA training needs analysis
Regional	LTX [Remote]	Webinar - Response to COVID19 for Tourism Economy	Recovery of revenue and compliance post-COVID-19	COVID-19 workshop to be delivered by 10/31/2020	Cross regional workshop initiated by FADR1
<b>STRATEGIC OBJECTIVE 2: STRENGTHENED CORE FUNCTIONS EVIDENCED BY AN ACCURATE TAXPAYER BASE, TAXPAYER SERVICES SUPPORTING VOLUNTARY COMPLIANCE, IMPROVEMENTS IN FILING, PAYMENT AND AUDIT SERVICES</b>					
Cook Islands	STX [Remote]	Strengthen Debt and Returns management	Further improvement required for management of outstanding returns and tax arrears	On-time filing and payments operating at improved efficiency levels by 31/12/2020 and measured against TADAT dimensions.	TA assistance requested by the authorities to improve current returns and payment compliance levels.
Cook Islands	STX [In-Country]	Strengthen audit function	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 2/28/2021 and measured against TADAT dimensions.	The authorities have requested TA to assist in building audit function and capability.
Fiji	STX [Remote]	Strengthen Debt and Returns management	Further improvement required for management of outstanding returns and tax arrears	On-time filing and payments operating at improved efficiency levels by 31/12/2020 and measured against TADAT dimensions.	TA assistance requested by the authorities to improve current returns and payment compliance levels.
Fiji	STX [Remote]	Strengthen tax audit function	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 2/28/2021 and measured against TADAT dimensions.	The authorities have requested TA to assist in building audit function and capability.
Fiji	STX [In-Country]	Improving taxpayer service with focus on micro-and medium sized businesses	Taxpayer service strategy and focus on micro- and medium sized businesses needed	Improved delivery of taxpayer services by 4/30/2021 and measured against TADAT dimensions.	Assistance with improving taxpayer services requested by authorities
Kiribati	STX [In-Country]	Strengthen tax audit function	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 2/28/2021 and measured against TADAT dimensions.	The authorities have requested TA to assist in building audit function and capability.
Kiribati	STX [Remote]	Further support on taxpayer services, tax arrears and returns collections	Further improvement required for management of outstanding returns and tax arrears	Taxpayer Services, on-time filing and payments operating at improved efficiency levels by 31/12/2020 and measured against TADAT dimensions.	TA assistance requested by the authorities to improve current taxpayer services as well as returns and payment compliance levels.
Marshall Islands	STX [Remote]	Improving taxpayer services	Improvement to taxpayer services needed	Improved delivery of taxpayer services by 31/12/2020 and measured against TADAT dimensions.	Assistance with improving taxpayer services requested by authorities
PNG	STX [In-Country]	More accurate and reliable taxpayer information held in centralized database	Accurate and reliable taxpayer information needed for new system	Tax Register Data Cleansing	Assistance with improving taxpayer services requested by authorities
Samoa	STX [In-Country]	Improving debt and returns management	Further improvement required for management of outstanding returns and tax arrears	On-time filing and payments operating at improved efficiency levels by 31/12/2020 and measured against TADAT dimensions.	TA assistance requested by the authorities to improve current returns and payment compliance levels.
Samoa	STX [Remote]	Strengthen tax audit function	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 31/12/2020 and measured against TADAT dimensions.	The authorities have requested TA to assist in building audit function and capability.
Solomon Islands	STX [Remote]	Strengthen tax audit function	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 31/12/2020 and measured against TADAT dimensions.	The authorities have requested TA to assist in building audit function and capability.
Tonga	STX [Remote]	Improving debt and returns management	Further improvement required for management of outstanding returns and tax arrears	On-time filing and payments operating at improved efficiency levels by 31/12/2020 and measured against TADAT dimensions.	TA assistance requested by the authorities to improve current returns and payment compliance levels.
Tonga	STX [Remote]	Assist with tax auditor training framework and development	Tax auditor competencies to be improved	Auditor training and development framework and curriculum in place by 31/12/2020	Tax auditors face many challenges, high level of skills required.
Tonga	STX [In-Country]	Strengthen tax audit function	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 31/12/2020 and measured against TADAT dimensions.	The authorities have requested TA to assist in building audit function and capability.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Tonga	STX [Remote]	Industry partnership audit methods	Audit methods needed in support of the tourism industry partnership strategy	Specific audit methods introduced in support of industry partnership strategy for tourism industry	Audit methods required in support of industry partnership
Tuvalu	STX [In-Country]	Strengthen tax audit function	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 31/12/2020 and measured against TADAT dimensions.	The authorities have requested TA to assist in building audit function and capability.
Vanuatu	STX [Remote]	Strengthening audit, Implementation of the VAT audit toolkit	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 31/12/2020 and measured against TADAT dimensions.	The authorities have requested TA to assist in building audit function and capability.
Vanuatu	STX [Remote]	Management of debt and returns	Further improvement required for management of outstanding returns and tax arrears	On-time filing and payments operating at improved efficiency levels by 31/12/2020 and measured against TADAT dimensions.	TA assistance requested by the authorities to improve current returns and payment compliance levels.
Regional	LTX/ STX [Remote]	Workshop on Tax Investigations - VAT	Training on VAT tax investigations needed	Workshop on VAT tax Investigations delivered by 2/28/21	Workshop delivered in terms of training needs identified
Regional	LTX/ STX [In-Country]	Managing Return Filing and Tax Arrears	Training on debt and returns management needed	Workshop debt and returns management delivered by 12/31/20	Follow-up visit on Debt and Returns workshop held December 2019.

# PUBLIC FINANCIAL MANAGEMENT

In FY2021, PFM support will continue to assist members using various modalities to strengthen capacity in three broad areas, consistent with the objectives set out in the PD:

- Planning and prioritization of PFM reforms based on the results of PEFA assessments, ongoing development of PFM reform roadmaps; and support for strengthening legal frameworks;
- Strengthening budget preparation, including better integration of planning and budgeting; improved budget transparency, execution; and stronger debt, asset, and risk management; and
- Strengthening budget monitoring, reporting, and accountability.

PFM support will be delivered in a variety of forms including: TA provided directly to member countries through missions by the PFTAC resident advisors and/or by an STX. Half the missions will involve STX, but as their missions tend to be longer in the field, over half the mission days (286 of 501 days) are expected to be delivered by STX.

PFTAC will continue to coordinate with other providers of PFM TA to ensure consistency and sustainability in the impact of TA to members.

**AT THE REGIONAL LEVEL**, four regional or sub-regional workshops are planned drawing on the resources of the PFTAC resident advisors, FAD staff, STX, and experts from other development partners including the UNDP, World Bank, and



ADB; and regional, sub-regional, and country-specific training jointly sponsored by PFTAC and regional partners like PASAI, PRIF, and PIFS.

Planned regional or sub-regional events include:

- Delivered jointly with the UNDP, and a hybrid remote arrangement and in-person delivery through the USP network, a workshop on *Budget Documentation*;
- A regional workshop on *Fiscal Risks and Transparency*;
- A regional workshop on *Public Investment Management* with FAD; and
- A postponed FY2020 workshop on *Fiscal Frameworks* to be jointly conducted by the PFTAC Macro and PFM advisors, with STI.

**IN TERMS OF COUNTRY ACTIVITIES**, planned delivery under the PFM program in FY2021 will be 46 percent greater than FY2020, with 35 missions/activities planned versus the FY2020 outturn of 24 missions, and using 477 days of TA field delivery up from 408 days in FY2020.

In the **Cook Islands**, an agile PEFA assessment will be conducted, possibly including pilot testing of the new PEFA Climate module.

Continued work with **Fiji** to improve internal audit activities and commence work on cash management and preparing for implementation of a Treasury Single Account framework.

PFTAC will provide input to **Kiribati** on developing a PFM legal framework.

Support to **RMI** will continue to develop comprehensive annual budget documentation.

Continued support will enable **Nauru** to progress with IPSAS cash reporting standards compliance.

**Niue** will receive assistance in drafting new PFM legislation.

Prepare and conduct an agile PEFA assessment in **Palau**, including the possible pilot testing of the PEFA Climate module.

Finalization of the PEFA in **PNG** and development of a subsequent PFM performance improvement plan, plus

assistance with implementing IPSAS Cash reporting.

In support of a previous PEFA assessment in **Timor Leste**, PFTAC will work with the authorities and other development partners on preparation of a PFM Reform Roadmap.

Supporting **Tonga** to update the legal framework, improve internal audit, assist with cash basis financial statements and implement treasury reforms to improve financial reporting.

Support improved annual budget documentation in **Tuvalu** focused on capital budgeting.

In **Samoa** work will continue to improve internal audit, financial reporting, reporting on fixed assets, and strengthening risk framework.

Assist **Solomon Islands** with financial reporting as well as reviewing financial statements for compliance with IPSAS reporting.

Assist **Vanuatu** with financial reporting.

**TABLE 15. FY2021 WORK PROGRAM SUMMARY: PUBLIC FINANCIAL MANAGEMENT**

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
<b>STRATEGIC OBJECTIVE 1: IMPROVED LAWS AND EFFECTIVE PFM INSTITUTIONS</b>					
Cook Islands	LTX/STX [Remote]	Conduct PEFA Assessment	Self-assessment conducted in 2019.	Agile PEFA report	The mission may include additional PEFA assessment activities, such as GR PFM or Climate Change, at the request of country officials.
Cook Islands	LTX [In-Country]	Roadmap Development	Reform plans based on previous self-assessment	New reforms identified during PEFA assessment	Reforms can reflect PEFA results. Addition of related PEFA activities could provide additional information on reform for specific subject areas
Kiribati	STX [Remote/ In-Country]	Development of PFM Legal Framework	A number of diagnostics missions have been undertaken. PFM Roadmap still not drafted	PFM Roadmap endorsed by Government	Working with the Secretary to establish set of PFM priorities taking into account findings from the PEFA self-assessment and PIMA and other diagnostic efforts
Niue	STX [Remote]	Finalizing PFM Legislation	The current law governing PFM is over 40 years old	Draft PFM Legislation prepared	Working with the Department to prepare a contemporary PFM law to cover all of Government in Niue
Palau	LTX/ STX [In-Country]	PEFA Self-Assessment	Climate change readiness recommended that Palau undertake a PEFA	PEFA Self-assessment conducted	Preparing and working with Palau officials to undertake a PEFA self-assessment
PNG	LTX/ STX [Remote]	Developing PNG PFM Roadmap	Work is underway with officials.	Revised PFM roadmap to be endorsed by government	Working with officials and advisors in DoF. Needs to be expanded to Treasury and Planning
Timor-Leste	LTX [In-Country]	Establishing PFM reform priorities post PEFA	Providing input into PFM White Paper. Field work on PEFA underway led by the WB	PFM Roadmap established	Working with officials and development partners post PEFA assessment on future actions in PFM
Tonga	LTX/ STX [Remote]	Review existing PFM legislation, reforms expectation	Contracting underway	Amended PFM legislation for review and endorsement by authorities	The approved legislation will form the basis to advance the necessary reforms.
Tonga	STX [Remote]	Prepare proposed legal update and accompanying report	Review legislation and recommend updates consistent with current operations and reform plans	Review draft legislation and implementation strategies	Reform activities will need to be reviewed by government to ensure inclusion within the revisions
Tonga	LTX/ STX [Remote]	Developing PFM Roadmap	PEFA and GRB PEFA finalized in Jan 2020	PFM Roadmap endorsed by government	Reforms can reflect PEFA and GRB PEFA results in addition to other on-going activities.
Regional	LTX/ FAD [In-Country]	PIMA Workshop	Likely to be deferred until travel can resumed.	To raise awareness of the PIMA diagnostic tool across the Pacific.	Will probably need to wait until 2022.
<b>STRATEGIC OBJECTIVE 2: STRENGTHEN BUDGET PREPARATION TOWARDS MORE COMPREHENSIVE, CREDIBLE &amp; POLICY ORIENTED BUDGET</b>					
Marshall Islands	LTX [Remote]	Further developing budget process development tools to automate the process and improve budget documentation		2019/20 Budget document is improved in terms of presentation and development process of the budget is improved.	Working with the Macro Advisor to enable improved budget presentation.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Tuvalu	LTX [In-Country]	Working with PRIF to improve the multiyear budget process for infrastructure and capital.		2020 Budget is reported in an improved format with a more credible approach towards public investment.	Working with PRIF to improve the budgeting for capital and infrastructure.
Regional	LTX [In-Country]	Fiscal Framework in Pacific Countries	Countries in early stages of implementing MTF	Completion of workshop and improved knowledge on fiscal frameworks	Lack of commitment to implement over the long term and educate country officials
Regional	LTX [Remote]	Workshop - Improving Budget Document Transparency	Work has been undertaken by the UNDP with Parliamentarians on analyzing budget documents.	Completion of the workshop	Working with UNDP who provide a floating budget analysis team across countries on the Pacific to help MPs understand budget document. (in conjunction with Macro)
<b>STRATEGIC OBJECTIVE 3: IMPROVED BUDGET EXECUTION AND CONTROL</b>					
Fiji	STX [In-Country]	Reviewing of internal audit of the budget process and updated training	Training for 2nd whole of government risk based audit conducted in Feb 2020	Planning for third whole of government risk based audit conducted.	Whole of government risk based audits may not be fully endorsed by ministries lacking understanding of process and outcomes
Samoa	STX [Remote/ In-Country]	Training is provided on implementing a risk based internal audit for an area identified as high risk during the planning processes	Government wide audit activity is underway, and risk based planning and procurement audit has been conducted.	Risk based planning and procurement audit implemented. Training on conducted a risk based audit of a high risk area occurs.	Delay in implementation of new strategic plan or mission recommendations from April 2019 may hinder mission activities in 2020.
<b>STRATEGIC OBJECTIVE 4: IMPROVE COVERAGE AND QUALITY OF FISCAL REPORTING</b>					
Nauru	STX [Remote]	Follow up work on initial mission in March 2019 on Cash reporting		Follow up mission on work done in FY-2019	Looking to have the 2016/17 and 2017/18 FS submitted to the auditor by Dec 19 and looking to have the 2018/19 compliant with IPSAS cash standards.
PNG	LTX [In-Country]	Implementation of IPSAS Cash Reporting	Field work completed; report being finalized	Will be into the PFM Reform Plan	Will take some time to sequence with other reforms
Samoa	LTX/ STX [In-Country]	Continue improvement in audit recommendations and notes	Accounts division continues resolving issues relating to asset and liabilities, while managing audit recommendations.	Mission works with staff to review progress and identify strategies for improvement.	Limited change occurs due to staff turnover and reduced capacity to implement reforms.
Solomon Islands	LTX [In-Country]	Financial statement reforms	Processes underway to prepare delayed financial statements	Shortcoming for compliance to IPSAS cash basis identified	Lack of commitment by government to finalize financial statements
Solomon Islands	LTX [Remote]	Review of financial statements for compliance with IPSAS Cash Reporting	Awaiting completion of draft 2018 financial statements for review and audit;	2018 draft and audited financial statements	Lack of progress in the preparation of the draft accounts
Tonga	STX [Remote]	Streamline process for financial reporting and budget execution to comply with IPSAS Cash	Roles and responsibilities are not adequately defined to reflect MoF and line ministry activities.	Improved operations implemented to enable timely reporting on in year and annual financial reported	Improving fixed asset reporting and notes to financial statement and identifying treasury functions and investing potential for electronic payments
Tonga	STX [Remote]	Cash Basis IPSAS Financial Statements	Contracting underway	Financial statement compliant with IPSAS cash	Need to pursue the next stage to improve the framework for reporting fixed assets
Vanuatu	STX [In-Country]	Review of treasury business operations to improve efficiency of financial reporting.	Activities are underway to prepare 'unissued' annual financial statements.	Improved operations implemented to enable timely reporting on in year and annual financial reported	Financial statement preparation continues to need reform in processes.
<b>STRATEGIC OBJECTIVE 5: IMPROVED ASSET AND LIABILITY MANAGEMENT</b>					
Fiji	LTX [Remote]	Cash Management and TSA	Cash management is not using TSA	Government identified roadmap for implementation of TSA	Beginning of a multi-mission process
Samoa	STX [Remote]	Cash Management/ Review process and identify next steps	Policy is prepared and improved reporting practices continue.	Workshop to identify progress and next steps	Risk that policy will not be implemented, and reforms will be delayed.
Timor-Leste	LTX [In-Country]	Identify issues around asset and liability management	Subject to resumption of travel		

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
<b>STRATEGIC OBJECTIVE 6: STRENGTHEN IDENTIFICATION, MONITORING, AND MANAGEMENT OF FISCAL RISKS</b>					
Fiji	LTX [In-Country]	Review of fiscal risk monitoring and management for improved reporting.	Fisk risk monitoring improvements recommended by February 2019 mission are adopted.	Fisk risk framework and reporting process is adopted by MOE.	The monitoring changes are adopted but not implemented on a timely basis.
Samoa	LTX [In-Country]	Strengthen Fiscal Risk Framework	Fisk risk monitoring improvements recommended by February 2019 mission are adopted.	Fisk risk framework and reporting process is adopted by MOE.	The monitoring changes are adopted but not implemented on a timely basis.
Regional	LTX [In-Country]	Fiscal Risk and Transparency	Subject to resumption of travel		

# MACROECONOMIC PROGRAMMING & ANALYSIS

Under the macroeconomic programming and analysis FY2021 CD work program, efforts will contribute towards five outcomes, two more than previously:

- **Outcome 1:** Timely, high quality macroeconomic monitoring, analysis, and research available for policymaking;
- **Outcome 2:** Ready public access to key monetary, fiscal, and financial soundness information;
- **Outcome 3:** Sound medium-term macroeconomic framework.
- **Outcome 4:** Strong institutional structures for macroeconomic policy making; and
- **Outcome 5:** Customer due diligence and compliance with Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) safeguards, remittance flows, and CBR.

Under the proposed FY2021 workplan, 19 missions/activities are planned versus an outturn of 10 missions, a 90 percent increase over FY2020, requiring an expected 199 TA field day (155 LTX and 44 STX), up 121 percent from 90 in FY2020 (90 LTX and 0 STX). This increase primarily arises from the addition of Outcome 5 in relation to Correspondent Banking and a greater expected use of STX in FY2021.

**AT THE REGIONAL LEVEL,** PFTAC will host a number of workshops and seminars:

- (1) A Webinar on the *Economic Impact of COVID19* delivered jointly with STI;



- (2) A *Fiscal Frameworks* workshop will be held in Fiji in conjunction with the PFM program and STI; and
- (3) Other regional workshops that span across the different PFTAC program areas will also be held, including on *Budget Documentation* with the PFM program and the UNDP.
- (5) Medium term fiscal modeling, including scenario analysis;
- (6) Demographic and labor market analysis;
- (7) The interactions between monetary, fiscal policy and exchange rates;
- (8) Resources revenue management; &
- (9) Maintaining CBR.

**IN TERMS OF COUNTRY ACTIVITIES,** TA and training in FY2021 will continue to develop and support the use of quantitative tools, particularly in relation to:

- (1) Economic, revenue and expenditure forecasting, including in **RMI**;
- (2) Inflation forecasting including in the **Solomon Islands**;
- (3) Fiscal policy frameworks;
- (4) Review of the international financial sector in **Samoa** modeled on the earlier Cook Islands review;

Overall, the TA aims to strengthen PFTAC member countries ability to make informed macroeconomic as well as broader economic policy choices.

The **macro-fiscal** aspect of the Macroeconomic Program's TA can be broadly divided into four steps, with assistance aimed at progressing along these steps.

## Basic budgeting

Ensuring the use of a basic budget

execution model with relevant economic parameter inputs that includes forward estimates. National government and development budgets should (ideally) be integrated. It includes:

- (1) Expenditure and revenue forecasts;
- (2) Economic parameter forecasts;
- (3) Ideally on a GFS basis.
- (4) Incorporation of the model into the budget process.

### Medium Term Forecasting

- (1) Use of a fully integrated macro-fiscal model for medium to long run

forecasting.

### Scenario Analysis

- (1) Use of macro-fiscal model to undertake shock and scenario analysis to aid understanding of the relationships between fiscal and other macroeconomic variables.

### Fiscal Strategy

- (1) Countries devise, publish and implement (including in legislation where appropriate) prudent fiscal frameworks.

### Broader Macroeconomic Policy

- (1) Overall, incorporating the relationships between fiscal policy, monetary policy and exchange rate regimes into macroeconomic policy making, that is critical for the promotion of stable economic growth and development.

The CBR project aims to support the ability of Pacific Islanders to send and receive financial remittances quickly, inexpensively, and securely.

This will be supported through enhanced 'Know Your Customer' facilities that provides regulatory certainty to financial institutions in relation to their compliance with AML/CFT obligations.

## BOX 22. PACIFIC KNOW YOUR CUSTOMER (KYC) UTILITY PROJECT

Remittances from Pacific islanders working in Australia, New Zealand or elsewhere are a vital source of income for many Pacific countries. Timor-Leste also benefits from significant remittance flows. For this reason, strengthening the ability of offshore workers to send money home safely, cheaply and efficiently is a high priority for the ongoing economic development of many PFTAC member countries.

This is why at a meeting in November 2019, South Pacific Central Bank Governors gave the go-ahead to a project to develop and implement a regional KYC utility. The purpose of this utility is to enable low-cost identification of senders and recipients of financial transactions in the Pacific in a manner that is compliant with international standards to counter money laundering and financing of terrorism. A utility of this kind should facilitate remittance payments in the

region and help preserve or expand correspondent banking relationships (CBRs) for small banks and money transfer operators (MTOs) in the region.

The development and implementation of the KYC utility is being overseen by a Steering Committee (SC) made up of representatives of the nine South Pacific central banks, and co-chaired by Lindsay Boulton (Reserve Bank of Australia - RBA) and Simone Robbers (Reserve Bank of New Zealand - RBNZ), with Scott Roger (IMF) and Andrew Beaumont (PFTAC) providing a secretariat function. The first meeting of the SC was held on March 5, 2020, by teleconference. The SC agreed on a Terms of Reference for the project, including governance arrangements, and established a Working Group (WG) that will focus on establishing the key design

requirements for a KYC utility. The WG will be chaired by Michael Davies (RBA).

The SC also agreed on the broad lines of the scope of the project. These cover the functionality of the utility (what it should be able to do), how it might be used, and what users should be considered. SC members emphasized that the focus should be on designing the simplest utility that would meet the most important user and usage needs.



**TABLE 16. FY2021 WORK PROGRAM SUMMARY: MACROECONOMIC PROGRAMMING AND ANALYSIS**

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
<b>STRATEGIC OBJECTIVE 1: WELL FUNCTIONING MACROECONOMIC POLICY AND INSTITUTIONS: IMPROVED MACROECONOMIC POLICY ADVICE TO GOVERNMENT AND CENTRAL BANK MANAGEMENT</b>					
Cook Islands	STX [In-Country]	Support empirical analysis of tax reform.	Yet to occur	Publication of tax reform options	
Fiji	LTX [In-Country]	Implementation of PEFA recommendations (14- 16)	Yet to commence	Gradual implementation	A number of reform priorities were identified by the PEFA which will need to be sequenced.
FSM	LTX [In-Country]	Macroeconomic Framework	Support use of macro-fiscal framework	Enhanced policy making	
Nauru	LTX [Remote]	Macro Forecasting, National Accounts and Economic Models	New request	Appropriate macro-fiscal frameworks	Need to sequence reform request with PFM program
PNG	LTX [In-Country]	Establish and support an interagency macroeconomics working group.	New working group	Improved macroeconomic policy making	
Regional	LTX [Remote]	COVID19 Macroeconomic Impact Webinar	Completed	Deeper understanding of economic impact of Covid-19	
Regional	LTX [In-Country]	Fiscal Framework Workshop	Regional workshop	Improved understanding of fiscal frameworks	
Regional	LTX [Remote]	CBR Secretariat Quarterly meetings	Regional	Improved remittance transfers	
RMI	LTX [In-Country]	Assist with operation of the Marshall Islands Fiscal Model (MI-FM) and Medium Term Budget and Investment Framework (MTBIF).	Ongoing project	Use of model in Budgetary processes	
RMI	LTX [In-Country]	Support the use of the Marshall Islands Fiscal Model (MI-FM) and Medium Term Budget and Investment Framework (MTBIF) in budget preparations and policy analysis.	Ongoing project	Use of model in Budgetary processes	
RMI	LTX [Remote]	Economic Forecast COVID19 Update	Completed	Improved fiscal forecasts	
Samoa	LTX/ STX [In-Country]	Review the Samoa Economic and Revenue Forecasting (SERF) Model manual.	Ongoing project	Use of model in Budgetary processes	
Samoa	LTX/ STX [In-Country]	Support the use of the Samoa Economic and Revenue Forecasting (SERF) Model.	Ongoing project	Use of model in Budgetary processes	
Samoa	LTX [Remote]	International Financial Sector Assessment	Ongoing		
Solomon Islands	LTX [In-Country]	Establish and support an interagency macroeconomics working group.	Yet to commence	Improved macroeconomic policy making	
Solomon Islands	LTX [Remote]	Inflation Forecast Modeling	Ongoing	Improved monetary policy and fiscal settings	
Timor-Leste	LTX [In-Country]	Diagnosis of macroeconomic capacity	Yet to occur	Improved macroeconomic policy making	
Tonga	LTX [Remote]	Support the use of the Tonga macroeconomic programming framework in budget preparations.	Ongoing project	Improved macroeconomic policy making	
Tuvalu	LTX [In-Country]	Support GDP forecasting and fiscal rules	Ongoing	Incorporation into Budget processes	
Vanuatu	LTX/ STX [In-Country]	Support GDP forecasting	Ongoing	Incorporation into Budget processes	
Vanuatu	LTX/ STX [In-Country]	Support the use of the Model Of the Vanuatu Economy (MOVE) and the national framework for revenue forecasting.	Ongoing	Incorporation into Budget process	

# MACROECONOMIC STATISTICS

The macroeconomic statistics program that comprises sub-programs for GFS and RSS with a small component for External Sector Statistics (ESS) works towards one broad objective:

- **Objective 1:** Strengthen compilation and dissemination of data on macroeconomic and financial statistics for decision making according to the relevant internationally accepted statistical standards, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.

## GOVERNMENT FINANCE STATISTICS

Positive news came during FY2020 as new donor funds allowed the extension of the PFTAC GFS program beyond the expected end-date of April 2020. With the endorsement of the SC, the PFTAC GFS program entered a final year of funding under Phase V, and unless there is a change of plan and funding, the resident advisor position will end April 30, 2021. The new GFS PFTAC advisor who joined PFTAC in April 2019 will continue to deliver CD on the same themes in FY2021, focusing on compilation and dissemination using appropriate statistical techniques, higher frequency data and concurrently expanding coverage; updating and releasing metadata; and developing customized solutions and methods for compilation and dissemination guided by the internationally accepted statistical standard, the *GFSM 2014*.



Increased assistance will focus on how to compile PSDS guided by the public-sector debt statistics guide for compilers and users 2013 (*PSDSG 2013*).

**AT THE REGIONAL LEVEL**, one regional GFS training workshop is planned for FY2021. However, country-specific TA will still represent most of PFTAC's support with advisory in-country missions and remote support.

**IN TERMS OF COUNTRY ACTIVITIES**, bilateral missions and workshops are planned to provide TA coverage to 12 member countries. Like the real sector and external sector statistics programs, the GFS program works to share effective, functional guidance on managing people and projects to increase the likelihood that technical developments come to timely fruition. These objectives and associated milestones related to planned missions and activities are summarized below and detailed in the FY2021 workplan.

Data are compiled and disseminated using the coverage and scope of the latest guidelines. The majority of PFTAC member countries that receive bilateral assistance have adopted the internationally accepted statistical standard, the *GFSM 2014* for compilation and dissemination of GFS. TA in FY2021 will continue to work with country counterparts to improve the standards and methodology implemented.

Data are compiled and disseminated using appropriate statistical techniques, including to deal with data sources, and/or assessment and validation of intermediate data and statistical outputs. Collaboration between various disciplines will assist in the financial programming framework as part of the macroeconomic and fiscal framework initiatives in the region. The framework adopts the GFS methodology which produces internationally comparable fiscal data and are particularly useful for debt sustainability analysis. Cross

collaboration and technical support between the GFS and PFM programs will ensure that the national CoA and its linkages to the bridge tables derive appropriate GFS that can be used as input into the financial programming framework. These efforts in turn will improve and strengthen the compilation of budget documentation and medium-term fiscal frameworks aligned to the GFSM 2014 statistical or an equivalent standard.

GFS is compiled and disseminated for the BCG and GG and its subsectors with higher frequency, timeliness, and accuracy. Several PFTAC member countries have started the compilation of annual GG GFS. Assistance in FY2021 will continue to focus on improving the compilation and dissemination methods and processes to derive reconciled GFS time series for the GG. Member countries that may progress in their GG consolidation and dissemination are **Fiji, RMI, FSM, Palau, and Solomon Islands**. Several member countries have not yet fully implemented the Classifications of the Functions of Government (CoFoG) that serves as a very important input and measure for GDP calculation to define government spending by purpose and social-economic activity. CoFoG requires focused attention to make progress in the near-to-medium term. Assistance in expanding PSDS to include the scope of stocks of all debt liabilities of general government and public corporations and their classification aligned to the PSDSG 2013 will be provided.

Released metadata have been strengthened consistent with the dataset to enhance interpretation and analysis. Work with member countries to ensure that comprehensive sources and methods are documented, updated and disseminated regularly, inclusive of IMF guided dissemination standards, like special data dissemination standards (SDDS), general data dissemination system (GDDS) and enhanced general data dissemination system (e-GDDS). Five countries in the region are now participating to the e-GDDS initiative by releasing statistics through the National Summary Data Page (NSDP), **Fiji, FSM, Samoa, Timor-Leste and Vanuatu**.

## REAL SECTOR STATISTICS

The real sector and external sector statistical CD needs of the PFTAC member states vary significantly. While some small countries struggle to keep up regular work with a very low number of staff, others are able to improve quality, scope, and timelines of their national accounts statistics. The RSS program tries to cover all needs from CD to limited capacity substitution.

**AT THE REGIONAL LEVEL**, a national accounts regional workshop will train newly hired staff by statistical offices in order to build initial capacity.

As more and more countries of the region intend to embark on QNA programs in order to improve the timeliness of their economic statistics, a QNA course including seasonal adjustment methods is included in the FY2021 workplan.

**IN TERMS OF COUNTRY ACTIVITIES**, in FY2021 the RSS program will deliver 21 TA missions to 13 member countries, more than FY2020 with 13 missions to 10 countries.

The **Cook Islands** regularly publish QNA. The usefulness of these data can be improved by additionally providing seasonally adjusted figures that are currently missing. PFTAC will provide CD in the form of a training workshop as well as through a TA mission.

In **Fiji**, the authorities requested the implementation of a QNA program. In recent years, PFTAC assisted the statistical office to implement such calculations. In FY2021, results will be finalized and made ready for publication. CD on seasonal adjustment will be provided by a workshop and a TA mission.

As the FY2020 mission to **FSM** could not proceed, PFTAC will make provision to work on the evaluation of business survey results and GRT data for the use in national accounts.

For **Kiribati** it is planned to evaluate and improve the usability of administrative data and to implement the latest HIES results for

**Country activities** concentrate on increasing staff capacities, the release of metadata and the documentation of business processes, the use of up-to-date concepts, definitions and classifications, data coverage and scope, the use of adequate source data and the increase of timeliness.

compiling a new vintage of national accounts data.

Due to severe staff capacity constraints, PFTAC will support **Nauru** with two missions to resume GDP compilation and publication.

**Palau** will be assisted with strengthening their capacity to independently compile GDP.

**Papua New Guinea** will benefit from support on an experimental approach to produce Quarterly National Accounts and ongoing support on data sources.

In **RMI**, PFTAC TA missions help the statistical office to be able to compile national accounts independently from the US Graduate School.

For the **Solomon Islands** it is planned to assist with controlling the quality of the last business survey and help with data editing before its use in national accounts, rebasing of annual National Accounts and at the request of CBSI, assist with an experimental approach to Quarterly National Accounts.

On the basis of requests from the **Tonga** and **Vanuatu** authorities, PFTAC recently conducted feasibility studies on the implementation of QNA programs for both countries. These studies will be shared for discussion with each country's Macroeconomic Committee. Should reported impediments to an introduction of such programs be addressed adequately, PFTAC will assist with their implementation.

In **Tuvalu** the number of statistical compilation staff is expected to be increased. PFTAC will continue to train new staff members by providing workshops as well as a NA mission.

**TABLE 17. FY2021 WORK PROGRAM SUMMARY: MACROECONOMIC STATISTICS (GOVERNMENT FINANCE STATISTICS)**

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
<b>STRATEGIC OBJECTIVE 1: STRENGTHEN MACROECONOMIC AND FINANCIAL STATISTICS COMPILATION AND DISSEMINATION</b>					
Cook Islands	LTX [Remote]	Refine compilation techniques. Compile, review and disseminate data to the IMF	Quarterly GFS compilation started in the previous mission. Adjustments in the mapping to GFS of the new FMIS are needed. Annual GG data completed up to FY2018.	Submit a quarterly GFS time series. Submit PSDS to the World Bank for publication. Resolve statistical discrepancies. Produce GFS reports from the new FMIS.	Availability of necessary source data.
Fiji	LTX [In-Country]	Compile, review and disseminate data to the IMF Refine compilation techniques A comprehensive business process document is disseminated	CoA and FMIS reforms are ongoing. Annual BCG data completed up to 2018. Unconsolidated GG data up to 2016. Expanding coverage to public sector initiated.	Submit PSDS to the World Bank for publication. GFS automated in the new FMIS to compile reports. Complete a consolidated GG time series. Business process documentation completed.	Given that source data is readily available. Better coordination between internal stakeholders needed. Staff capacities are adequate.
Micronesia	LTX [Remote]	Refine compilation techniques. Compile, review and disseminate data to the IMF	GFS sustained by graduate school USA. Annual data for BCG and the four state governments up to FY 2018. Expanding coverage to the rest of the public sector. Ongoing reform of the CoA and FMIS	Submit PSDS to the World Bank for publication. GFS automated in the new FMIS to compile reports. Complete a consolidated GG time series.	New staff needs to be fully trained.
Nauru	LTX [Remote]	Compile the institutional unit table for the public sector and investigate source data for GFS compilation purposes. Mapping the national chart of accounts (CoA) to GFS.	Mapping to GFS needs to be incorporated. Work for the institutional unit classification started but needs further work. Annual BCG data up to FY 2018	GFS automated in the FMIS to compile reports. Include all the units of the public sector in the institutional unit table	Source data gaps, staff shortages may pose risks.
Palau	LTX [Remote]	Refine compilation techniques. Compile, review and disseminate data to the IMF.	GFS sustained by graduate school USA. Annual BCG data up to FY 2018. Expanding coverage to the rest of the public sector. Ongoing reform of the CoA and FMIS	Submit PSDS to the World Bank for publication. GFS automated in the new FMIS to compile reports. Complete a consolidated GG time series.	Staff capacities are adequate.
PNG	LTX [In-Country]	Assist in the verification and revisions of the COA mapping. Prepare a reconciliation and include data for the financial balance sheet and public sector data to the monetary statistics and balance of payments. Assist in the verification and revisions of data compiled for GFS.	Annual data for BCG up to FY 2018. Quarterly GFS submitted since 2019 Q1. Institutional unit classification started. Reconciliation for financial balance sheet initiated.	Complete the institutional unit classification. Complete balanced statement of operations with narrowing down the statistical discrepancies.	All the stakeholders need to provide the necessary data. Staff capacities are adequate.
RMI	LTX [Remote]	Refine compilation techniques. Compile, review and disseminate data to the IMF.	GFS sustained by graduate school USA. Annual BCG data up to FY 2018. Expanding coverage to the rest of the public sector. Ongoing reform of the CoA and FMIS	Submit PSDS to the World Bank for publication. GFS automated in the new FMIS to compile reports. Complete a consolidated GG time series.	Staff shortage generates risks for medium term
Samoa	STX [In-Country]	Compile, review and disseminate data to the IMF.	Annual data for GG up to FY 2018. Expanding coverage to public sector.	Submit PSDS to the World Bank for publication. Compile and disseminate quarterly GFS	Staff capacities are adequate.
Solomon Islands	LTX [In-Country]	Refine compilation techniques. Compile, review and disseminate data to the IMF	Annual data for BCG up to FY 2018. Expanding coverage to the public sector.	Compile and disseminate quarterly GFS. Compile consolidated GG GFS.	Staff capacities are adequate.
Timor-Leste	LTX [Remote]	Imbalances using various data sources to compile GFS are investigated and resolved. Compile, review and disseminate data to the IMF	Annual data for BCG up to FY 2018. Stocks and flows in financial balance sheet creates discrepancies. Unreconciled data from various sources.	Reconcile statement of operations.	Assistance required to update the information reporting systems. More coordination between internal stakeholders needed.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Tonga	LTX [In-Country]	Complete the institutional unit table. Mapping the national chart of accounts (CoA) to GFS. Compile, review and disseminate data to the IMF	Annual BCG data up to FY 2017. Progress made in classifying units of the public sector. Limited progress in the CoA and FMIS reforms.	Compile and submit annual data to IMF. Automate GFS in the FMIS. Finalize institutional unit classification.	Staff capacities are adequate.
Vanuatu	LTX [In-Country]	Imbalances using various data sources to compile GFS are investigated and resolved. Compile, review and disseminate data to the IMF	Annual BCG data up to FY 2018. Expanding coverage to GG. Statement of operations presents imbalances.	Submit PSDS to the World Bank for publication. Expand coverage to GG. Reconcile statement of operations.	Staff capacities are adequate. Better coordination between internal stakeholders needed
Regional	LTX/ STX [In-Country]	Regional workshop on government finance statistics. Topic to be determined		Trained staff for improved GFS compilation and dissemination.	All PFTAC member countries will attend and be trained.

**TABLE 18. FY2021 WORK PROGRAM SUMMARY: MACROECONOMIC STATISTICS (REAL SECTOR STATISTICS)**

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
<b>STRATEGIC OBJECTIVE 1: STRENGTHEN COMPILATION AND DISSEMINATION OF DATA ON MACROECONOMIC AND FINANCIAL STATISTICS</b>					
Cook Islands	LTX [Remote]	Implement seasonal and working day adjustment in national accounts.	QNA data is published but not seasonally and working day adjusted, what reduces informational content.	QNA data publication is supplemented with seasonal and working day adjusted time series.	Availability of necessary staff capacities
Fiji	LTX [In-Country]	Compile QNA data for the production side of GDP.	National accounts data is published solely on an annual basis.	National accounts data for the production side of GDP is published on a quarterly basis.	As resources are available, non-performing risk is low
		Implement seasonal and working day adjustment in national accounts.	The statistical office is close to finalize experimental QNA data.	Future QNA data publication are supplemented with seasonal and working day adjusted time series.	Staff capacities are adequate, so risk is low.
FSM	LTX [In-Country]	Evaluate and improve the results of the last business survey.	The results of the last business survey need validation before their use in national accounts.	Quality control and data editing allows the use of the business survey for compiling GDP.	The quality of a business register is decisive for checking business surveys.
		Evaluate BGRT administrative data.	If access to BGRT data is granted, quality control has to take place.	BGRT data has been processed and used in national accounts.	Full access to BGRT data has not been granted, yet.
Kiribati	STX [In-Country]	Carry out 2017 benchmarking and back casting of GDP by production and expenditure.	The last data set has been published for 2016.	GDP by production and expenditure is updated to 2017 and published.	Low risk
		VAT data used to compile more comprehensive annual GDP estimates.	Currently, VAT data is only used for specific enterprises to derive output.	GDP estimates are based on a broader set of administrative data.	The lack of a business register makes it difficult to use VAT data.
		Process HIES and other benchmark sources.	GDP estimates do not include the latest HIES results.	The GDP rebased to the latest HIES results better reflects economic reality.	Quality of HIES results has to be evaluated.
Nauru	LTX/ STX [In-Country]	Update GDP data to FY2018-2019.	Latest published GDP data cover years up to 2017-2018.	Publication of 2017-2018 GDP estimates	Number of staff has not increased to minimum operational level
Marshall Islands	LTX [Remote]	Review progress of independent compilation of GDP and train new staff on compilation and national specific of data sources	Experimental figures for some industries of GDP(P) have been drafted. Base data are weak and quality control has to be performed.	EPPSO compiles independently GDP(P) data.	Number of staff has not increased to minimum operational level
Palau	LTX [In-Country]	Assist independent compilation of GDP	Independent GDP calculations to be reviewed	Published GDP data is broadly in line with SNA 2008 recommendations.	Number of staff is not sufficient to implement measures to increase the quality of GDP compilation.
PNG	STX [In-Country]	Assess source data to compile financial and construction industry output	Construction industry source data does not reflect annual production.	Source data are adjusted to be used in national accounts.	Source data are not available or of poor quality.
PNG	LTX [Remote]	Implement experimental Quarterly National Accounts (QNA)	National accounts data are published solely on an annual basis.	Experimental QNA data are made available internally.	Quarterly data provided are insufficient, too short, of low quality or published only with a large delay.
Samoa	LTX [Remote]	Review experimental GDP(E) data and made ready for publication and training on benchmarking and seasonal adjustment	The last mission helped with implementing GDP(E). The statistical office continued the process and experimental data are available internally to be reviewed.	Quarterly GDP(E) data is compiled and published on a regular basis.	As the statistical office employs the necessary, well trained staff, risks are low.
Solomon Islands	LTX [Remote]	Assessing the quality and improving latest business survey data and continue rebase	The results of the last business survey have to be submitted a quality control routine before processing.	Quality of business survey has been assessed and necessary data editing took place.	Number of staff is adequate, so current risk is low.
Solomon Islands	LTX [Remote]	Implementing experimental Quarterly National Accounts (QNA)	National accounts data are published solely on an annual basis.	Experimental QNA data are made available internally.	Quarterly data provided are insufficient, too short, of low quality or published only with a large delay.
Solomon Islands	STX [In-Country]	Rebasing Annual National Accounts (ANA)	Latest GDP data published is based on 2003 prices.	Price adjusted GDP data based on 2016 are published.	Number of staff has not increased to minimum operational level
Tonga	LTX [Remote]	Compile QNA data for the production side of GDP.	National accounts data is published solely on an annual basis.	National accounts data for the production side of GDP is published on a quarterly basis.	As resources are currently stressed, the implementation is not granted.
		Implement seasonal and working day adjustment in national accounts.	After an implementation of experimental QNA data compilation, seasonal adjustment has to be performed.	Future QNA data publication are supplemented with seasonal and working day adjusted time series	As resources are currently stressed, the implementation is not granted

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Tuvalu	STX [In-Country]	Review and update GDP and staff capacity increased	Due to a scarcity of staff, external assistance for compiling and reviewing draft GDP numbers is necessary.	GDP(P) numbers for the most recent years are published.	The statistical office operates with very limited staff resources.
Vanuatu	LTX [Remote]	Compile QNA data for the production side of GDP.	National accounts data is published solely on an annual basis.	National accounts data for the production side of GDP is published on a quarterly basis.	Contingent to the hiring of a new staff.
	LTX [In-Country]	Implement seasonal and working day adjustment in national accounts.	After an implementation of experimental QNA data compilation, seasonal adjustment has to be performed.	Future QNA data publication are supplemented with seasonal and working day adjusted time series	Contingent to the hiring of a new staff.
Regional	LTX [Remote]	Workshop on quarterly national accounts and seasonal adjustment.	In planning status, no venue and date agreement reached	Participants trained in QNA and seasonal adjustment.	Participation of PFTAC member countries which currently produce QNA or intend to do this in the near future.
Regional	LTX/ STX [In-Country]	Workshop on annual national accounts, basic level.	In planning status, no venue and date agreement reached	Participants training in scope and methods for compiling annual national accounts.	Broad participation of PFTAC member countries

# FINANCIAL SECTOR SUPERVISION

Under the FSS CD work program for FY2021, efforts will contribute towards four core objectives:

- **Objective 1:** To implement a risk based supervision (RBS) system and upgrade other supervisory processes;
- **Objective 2:** Develop/strengthen regulation of insurance companies (IC) and RBS capability of the insurance supervisor;
- **Objective 3:** Develop/strengthen cybersecurity regulations and prudential norms; and
- **Objective 4:** Develop and strengthen banking regulations in line with international standards.

Under the proposed FY2021 workplan, 36 missions/activities are planned versus an outturn of 13 missions in FY2020. The number of activities in FY2020 was impacted by travel restrictions, delays in the insurance regulatory reform project, and the difficulty in engaging legal resources for the banking regulatory reform project. The difficulty to engage legal resources was noted as a potential risk at the 2019 SC meeting. While the number of missions/ activities planned for FY2021 is large, it is an ambitious yet reasonable target with the program's expanded focus with cyber risk, progression of the insurance regulatory reform project, and the banking



regulatory reform project concentrating on regulation drafting, which can rely on supervision expertise.

**AT THE REGIONAL LEVEL,** PFTAC will continue to organize multi-topic workshops in FY2021; and support the AFSPC Annual Meeting to be held in PNG provided a resumption of travel is possible. The cyber risk project takes a distinctly regional approach to establishing cyber risk regulations across all member countries. A series of short Webinars will be delivered on COVID related topics including bank supervision responses, insurance regulation, cyber risks, and central bank support to financial markets during the crisis.

**IN TERMS OF COUNTRY ACTIVITIES,** TA and training in FY2021 will continue to

focus on the four major projects that have been running for a number of years, plus the cyber risk project.

- (1) *Supervision Framework Enhancement Program, with Cook Islands, PNG, Solomon Islands and Vanuatu.* The FY2021 Workplan include missions to the Cooks Islands on finalizing financial analysis and risk rating and supervisory action planning; to PNG on finalizing financial analysis and on-site examination reform, and commencing work on developing prudential standards; to the Solomon Islands to finalize reform of risk rating and supervisory action planning and prudential standards, and to commence financial analysis work; and to Vanuatu on finalizing

reform of risk rating and financial analysis, and commencing work on developing prudential standards;

(2) *Banking Regulatory Reform project*, with **Palau, RMI** and **FSM**. The FY2021 Workplan includes follow-up missions to all three countries to finalize draft legislation and regulations and support stakeholder consultation. This project will also be expanded in FY2021 to assist **Kiribati** to develop a banking regulatory framework;

(3) *Insurance Regulatory Reform project*, with **Fiji, Samoa** and **Tonga**. The FY2021 Workplan includes follow-up missions to all three countries to finalize regulatory drafts and support stakeholder consultation;

(4) *Supervision Framework Development project* with **Tuvalu**. The FY2021 Workplan includes a mission to finalize on-site examination reform; and

(5) *Pacific Cyber Risk Regulation and Supervision Capacity Development Project* with **Fiji, Samoa, Tonga** and **PNG**. The FY2021 Workplan includes two missions to start the on-site examination component of the project, with regional participation.

Other planned activities in FY2021 include work with **Timor Leste** to develop a comprehensive banking law.

**TABLE 19. FY2021 WORK PROGRAM SUMMARY: FINANCIAL SECTOR SUPERVISION**

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
<b>STRATEGIC OBJECTIVE 1: DEVELOP AND STRENGTHEN BANKING REGULATIONS IN LINE WITH INTERNATIONAL STANDARDS</b>					
Kiribati	LEG [Remote]	Banking Legislation and Prudential Standards - Develop first draft of banking legislation in line with international standards	PFTAC and IMF LEG have developed a Regulatory Framework Enhancement Strategy and TA Plan for Kiribati.	Banking regulatory regime in line with international standards	PFTAC / IMF LEG stand ready to assist the authorities with this work.
Kiribati	LEG [In-Country]	Banking Legislation and Prudential Standards - Provide training to MFED and the Kiribati Attorney General's Office (KAG) on proposed reform and enhancements	PFTAC and IMF LEG have developed a Regulatory Framework Enhancement Strategy and TA Plan for Kiribati.	Banking regulatory regime in line with international standards	PFTAC / IMF LEG stand ready to assist the authorities with this work.
Kiribati	LEG [Remote]	Banking Legislation and Prudential Standards - Develop second draft of banking legislation in line with international standards	PFTAC and IMF LEG have developed a Regulatory Framework Enhancement Strategy and TA Plan for Kiribati.	Banking regulatory regime in line with international standards	PFTAC / IMF LEG stand ready to assist the authorities with this work.
Marshall Islands	LTX/ STX [In-Country]	Assistance in finalizing draft Banking Law and Regulations	Authorities of Marshall Islands are considering PFTAC / IMF LEG advice on content and structure of revised banking law and regulations.	Updated banking regulatory regime in line with international standards.	PFTAC / IMF LEG stand ready to assist the authorities with this work.
Micronesia	LEG [Remote]	Assistance in finalizing draft Banking Law and Regulations	Authorities of Marshall Islands are considering PFTAC / IMF LEG advice on content and structure of revised banking law and regulations.	Updated banking regulatory regime in line with international standards.	PFTAC / IMF LEG stand ready to assist the authorities with this work.
Palau	STX [Remote]	Assistance in finalizing draft Banking Law and Regulations	Authorities of Palau are revising banking law and regulations, following on from advice on content and structure provided PFTAC / IMF LEG	Updated banking regulatory regime in line with international standards	PFTAC / IMF LEG stand ready to assist the authorities with this work.
Palau	LTX/ STX [In-Country]	Finalization of legislation and stakeholder consultation	The Legal Department of the IMF is close to finalization of their review of the banking legislation following the incorporation of suggestions made in the last TA report. After this the authorities should be ready to issue the draft for stakeholder consultation and finalize it with further assistance from LEG and PFTAC.	Updated banking regulatory regime in line with international standards	PFTAC / IMF LEG stand ready to assist the authorities with this work.
Papua New Guinea	LTX [Remote]	Assist BPNG develop a comprehensive suite of risk management prudential standards	The authorities currently has the review and updating of its suite of prudential standards in its workplan.	Revised suite of example prudential standards covering all key areas of governance and risk management developed	PFTAC stands ready to assist the authorities with this work.
Solomon Islands	LTX/ STX [In-Country]	Assist CBSI with industry and stakeholder consultation for new suite of prudential standards	PFTAC has developed with the authorities a revised suite of example prudential standards.	Finalized drafting of suite of prudential standards covering all key areas of governance and risk management subjected to industry consultation and ready for issuance.	PFTAC stands ready to assist the authorities with this work.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Timor-Leste	STX [In-Country]	Review of Banking Legislation	A new Banking law needs drafting	Draft banking law	PFTAC stands ready to assist the authorities with this work.
Timor-Leste	LTX/ STX [In-Country]	Assist with Quantitative Impact Study (QIS) on IFRS 9	A WebEx discussion was held with the authorities to understand the scope of this work. The authorities seek technical assistance to determine the capacity development needs in relation to implementation of IFRS-9 both within the central bank and in banks.	Determination of the capacity development needs, both within the central bank and in banks, in relation to implementation of IFRS-9 by banks in Timor-Leste	PFTAC stands ready to assist the authorities with this work.
Vanuatu	LTX/ STX [Remote]	Assist RBV develop comprehensive suite of prudential standards	Suite of prudential standards have not been updated.	Revised suite of example prudential standards covering all key areas of governance and risk management developed	PFTAC stands ready to assist the authorities with this work.
Regional	LTX [Remote]	Banking and Regulation Supervision during the COVID19 Pandemic	A Roundtable Conference jointly organized by PFTAC and MCM was held as planned.	Enhanced understanding among the authorities of the regulatory and supervisory measures that can be taken to mitigate the impact of the COVID 19 pandemic on the health of the financial systems.	Completed.

**STRATEGIC OBJECTIVE 2: DEVELOP/ STRENGTHEN REGULATION OF INSURANCE COMPANIES (ic) AND RISK BASED SUPERVISION CAPABILITY OF THE INSURANCE SUPERVISOR (IS)**

Fiji	STX [In-Country]	Assist RBF finalize revised insurance law and consult with industry and stakeholders	Draft example insurance law provided by PFTAC is under review	Updated insurance regulatory regime in line with international standards.	PFTAC stands ready to assist the authorities with this work.
Fiji	LTX/ STX [Remote]	Provide overview and training on draft example law and Prudential Standards	The requisite training material prepared by PFTAC and provided to the authorities.	Updated insurance regulatory regime in line with international standards.	Authorities have to view the training material and attend the Q&A Session. The PFTAC stands ready to hold a Q&A Session for the authorities.
Samoa	STX [In-Country]	Assist CBS finalize revised insurance law and prudential standards and consult with industry and stakeholders	Draft example insurance law and prudential standards provided by PFTAC are under review	Updated insurance regulatory regime in line with international standards.	PFTAC stands ready to assist the authorities with this work.
Samoa	LTX/ STX [Remote]	Provide overview and training on draft example law and Prudential Standards	The requisite training material prepared by PFTAC and provided to the authorities.	Updated insurance regulatory regime in line with international standards.	Authorities have to view the training material and attend the Q&A Session. The PFTAC stands ready to hold a Q&A Session for the authorities.
Tonga	STX [In-Country]	Assist CBS finalize revised insurance law and prudential standards and consult with industry and stakeholders	Draft example insurance law and prudential standards provided by PFTAC are under review	Updated insurance regulatory regime in line with international standards.	PFTAC stands ready to assist the authorities with this work.
Tonga	LTX/ STX [Remote]	Provide overview and training on draft example law and Prudential Standards	The requisite training material prepared by PFTAC and provided to the authorities.	Updated insurance regulatory regime in line with international standards.	Authorities have to view the training material and attend the Q&A Session. The PFTAC stands ready to hold a Q&A Session for the authorities.
Regional	LTX [Remote]	Insurance Regulatory and Supervisory Response During the COVID19 Pandemic	PFTAC-MCM Online Roundtable Discussion on Insurance Regulatory and Supervisory Responses during the COVID-19 Pandemic was held as planned.	Enhanced understanding among the authorities of the regulatory and supervisory measures that can be taken by them to mitigate the impact of the COVID 19 pandemic on the health of the insurance industry.	Completed.

**STRATEGIC OBJECTIVE 3: DEVELOP/ STRENGTHEN CYBERSECURITY REGULATIONS AND PRUDENTIAL NORMS**

Fiji	LTX/ STX [In-Country]	Cyber Risk Regulation and Supervision Project - third component - onsite examination	Draft example Prudential Standard on Cybersecurity developed	Next step in the Cyber Risk Regulation and Supervision Project is the training in assessment of cyber risk, which has been delayed	PFTAC stands ready to assist the authorities with this work.
Papua New Guinea	LTX/ STX [In-Country]	Cyber Risk Regulation and Supervision Project - third component - onsite examination	Draft example Prudential Standard on Cybersecurity developed	Next step in the Cyber Risk Regulation and Supervision Project is the training in assessment of cyber risk, which has been delayed	PFTAC stands ready to assist the authorities with this work.
Regional	LTX [Remote]	Cyber Risks of Remote Work During the COVID19 Pandemic	PFTAC-MCM Online Roundtable Discussion on Cyber Risks of Remote Work during the COVID-19 Pandemic	Enhanced understanding among the authorities of the cyber risks of remote work during COVID 19 pandemic.	Completed.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
<b>STRATEGIC OBJECTIVE 4: IMPLEMENT A RISK-BASED SUPERVISION (RBS) SYSTEM AND UPGRADE OTHER SUPERVISORY PROCESSES</b>					
Cook Islands	LTX [In-Country]	SFEP - Finalize off-site financial risk analysis reform	Revised quarterly financial analysis report and structure developed.	Imbedded enhancements to financial analysis focused on risk	Finalization of SFEP
Cook Islands	LTX [In-Country]	SFEP - Finalize risk rating reforms	Risk rating framework developed	Imbedded use of risk rating framework and risk-focused supervisory action planning	Finalization of SFEP
Palau	LTX/ STX [Remote]	Risk Based Supervision Training	The intended training material prepared by PFTAC remotely delivered to the authorities. The authorities have assured to view the material in next few weeks and come back to PFTAC with questions if any.	Enhanced risk-based financial analysis, risk rating and supervisory action planning.	The PFTAC stands ready to hold a Q&A Session for the authorities.
Papua New Guinea	LTX [Remote]	SFEP - Finalize off-site financial risk analysis reform	Revised quarterly financial analysis report and structure developed.	Imbedded enhancements to financial analysis focused on risk	Finalization of SFEP
Papua New Guinea	STX [In-Country]	SFEP - Finalize market and liquidity risk examination reform	Revised market and liquidity assessment framework developed	Imbedded enhanced market and liquidity assessment framework	Finalization of SFEP
Marshall Islands	LTX/ STX [Remote]	Risk Based Supervision Training	The mission is scheduled to be held in the second week of September 2020. Pre-mission collection of background information and discussions with the authorities are under way.	Enhanced capacity of the supervisory authority to implement risk based supervision in the RMI	PFTAC stands ready to assist the authorities with this work. Authorities have the staff who can be trained.
Solomon Islands	LTX [In-Country]	SFEP - Assistance in developing a financial analysis process that effectively identifies risk		Revised quarterly financial analysis report and structure developed.	PFTAC stands ready to assist the authorities with this work.
Solomon Islands	LTX [In-Country]	SFEP - Finalize Risk Rating and Supervisory Action Planning	Risk rating framework developed	Imbedded use of risk rating framework and risk-focused supervisory action planning	PFTAC stands ready to assist the authorities with this work.
Vanuatu	LTX [In-Country]	SFEP - Finalize off-site financial risk analysis reform	Revised quarterly financial analysis report and structure developed.	Imbedded enhancements to financial analysis focused on risk	PFTAC stands ready to assist the authorities with this work.
Tuvalu	LTX [In-Country]	SFDP - Finalize off-site financial risk analysis reform	Revised quarterly financial analysis report and structure developed.	Imbedded enhancements to financial analysis focused on risk	PFTAC stands ready to assist the authorities with this work.
Regional	LTX/ STX [In-Country]	AFSPC Annual Meeting	Subject to resumption of travel		
Regional	LTX/ STX [In-Country]	AFSPC Annual Workshop	Subject to resumption of travel		
Regional	LTX [Remote]	Central Bank Support to the Financial Markets during the COVID19 Pandemic	PFTAC-MCM Online Roundtable Discussion on Central Bank Support to the Financial Markets during the COVID-19 Pandemic was held as planned.	Enhanced understanding among the authorities of the various support measures that the central banks can take to mitigate the impact of the COVID 19 pandemic on the financial system and the economy.	Completed.



PFTAC Coordinator and Resident Advisors

SECTION IV

# PFTAC STAFF

## Coordinator



### David Kloeden

(Since February 2017)

David joined PFTAC in February 2017. David is an Australian national, and prior to coming to PFTAC served as Coordinator of CARTAC – the IMF’s Caribbean Regional Technical Assistance Center based in Barbados. With 20+ years as an IMF tax administration specialist, he has extensive Domestic Revenue Mobilization experience. He is a CPA, has an undergraduate degree in information technology and post graduate degrees respectively in financial management, tax law, and economics.

## Resident Advisors

### FISCAL AFFAIRS DEPARTMENT

#### REVENUE ADMINISTRATION



### Georg Eysselein

(Since November 2018)

Georg joined PFTAC in November 2018 and is a South African National. Georg worked for the South African Revenue Service for more than 30 years in various senior positions. His international career started by working for the IMF and the European Delegation in Macedonia, followed by DFID, USAid and World Bank funded projects in Afghanistan and Somalia. Georg was closely involved with the implementation of the post-graduate Tax Professional Qualification in South Africa for tax practitioners in the private sector and taxation auditors working for the Revenue Service.

#### PUBLIC FINANCIAL MANAGEMENT



### Celeste Kubasta

(June 2018 – May 2020)

Celeste Kubasta joined PFTAC as a Public Financial Management (PFM) Adviser in June 2018. With over thirty years of experience, she has worked on implementation of PFM reforms in policy formulation and implementation, budget preparation and execution, and financial reporting processes. She also has experience in auditing, IT system implementation, and

teaching courses in accounting and public policy. From 2013 to 2018, Celeste provided technical assistance for CARTAC within the Caribbean and has worked internationally providing technical assistance since 2006 in Africa, the Middle East, and the Caribbean. She was formerly employed by the State of North Dakota as the Deputy Budget Director. Celeste is a Certified Public Accountant with a BS Accounting and MS Management.



### Richard Neves

(Since October 2016)

Richard joined PFTAC in October 2016. Richard is an Australian who has worked in the budget areas of the Australian Department of Finance and the ACT Treasury. Richard has also worked in Timor Leste for five years as the lead budget advisor and was the Cook Islands Financial Secretary from 2011 to 2015.

### ASIA PACIFIC DEPARTMENT

#### MACROECONOMIC PROGRAMMING AND ANALYSIS



### Iris Claus

(February 2015 – February 2020)

Iris joined PFTAC in February 2015. Iris has dual German and Canadian nationality. Before joining PFTAC she held policy and research positions at the ADB, the New Zealand Inland Revenue, the New Zealand Treasury, the Reserve Bank of New Zealand, and the Bank of Canada. She is on the editorial boards of the Journal of Economic Surveys and Asian Economic Papers and is a Senior Fellow at the University of Waikato, New Zealand.



### Andrew Beaumont

(Since February 2020)

Andrew joined PFTAC in February 2020 and has 20 years of experience in macro-fiscal and broader macroeconomic analysis and forecasting including at the Australian Treasury where he worked on monetary and fiscal policy, macroprudential regulation and the labor market. Additionally, Andrew has five years of experience in the Pacific region, having worked as an

Australian Treasury embedded technical adviser in both PNG (macro-fiscal) and Solomon Islands (economic reform). Andrew was also previously the Senior Adviser G20 and International economy at the Australian Department of Prime Minister and Cabinet working on global debt sustainability and macroeconomic policy responses to the Global Financial Crisis. Most recently, he was the Executive Branch Manager responsible for economic and revenue forecasting, macroeconomic reporting, demographic projections, long term fiscal modelling and tax expenditure analysis for the ACT Treasury.

## STATISTICS DEPARTMENT

### REAL SECTOR STATISTICS



**Marcus Scheiblecker**

(Since October 2018)

Marcus joined PFTAC in October 2018. He is an Austrian national with extensive knowledge and expertise in Real Sector Statistics and experience in compilation of national accounts. Prior to coming to the Pacific, Mr. Scheiblecker held various positions including as deputy director at the Austrian Institute of Economic Research where he acted as an advisor to Eurostat for seasonal adjustment and on financial statistics and national accounts for Statistics Austria.

### GOVERNMENT FINANCE STATISTICS



**Luis Temes Castrillon**

(Since April 2019)

Luis joined PFTAC in April 2019. He is a Spanish national with expertise in GFS and National Accounts. Before joining PFTAC he held various positions at the National Statistics Institute in Spain and worked as a seconded national expert on GFS quality management and Government accounting at EUROSTAT. He also worked as an advisor for the for the Minister of Employment and Social Security and as a senior analyst at the Independent Authority for Fiscal Responsibility (AIReF). He has undergraduate and postgraduate degrees in mathematics and statistics awarded from universities in Spain and the United Kingdom.

## MONETARY AND CAPITAL MARKETS DEPARTMENT

### FINANCIAL SECTOR SUPERVISION



**Ben Stefanou**

(July 2016 – July 2020)

Ben joined PFTAC in July 2016 and is an Australian national. Ben has extensive experience both as a bank supervisor with the Australian Prudential Regulatory Authority (APRA), the Australian bank regulator, and working in the commercial banking sector. He previously worked with the IMF as a TA advisor in the Caribbean.

## Administration



OFFICE MANAGER

**Maria Nina Samuela**



SENIOR ADMINISTRATIVE ASSISTANT

**Elenoa Bogiwalu**



ADMINISTRATIVE ASSISTANT

**Kalara Raidruta**



ADMINISTRATIVE ASSISTANT

**Pretti Lata**



ECONOMIC ANALYST

**Shane Prasad**

# ANNEX

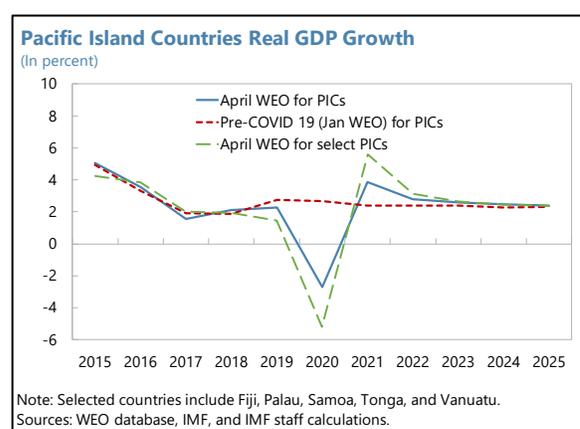
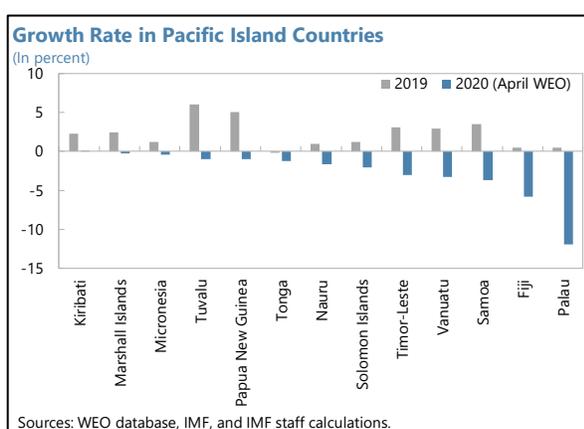
## ANNEX 1. MACROECONOMIC DEVELOPMENTS OF PFTAC MEMBER COUNTRIES

Economic growth in the Pacific Island Countries (PICs) remained low in 2019 compared to the rest of emerging and developing Asia. Average real GDP (equally weighted) grew by 2.3 percent in 2019, slightly up from 2.1 percent in 2018. Tuvalu had the highest growth rate (6 percent), boosted by hosting the Pacific Islands Forum. Papua New Guinea (PNG) and Samoa also saw strong growth, with the former recovering from the impact of the 2018 earthquake while the latter benefited from infrastructure and tourism spending for the Pacific Games in July 2019. In other PICs, growth was hampered by falling investment and a slowing of tourism (notably in Palau and Fiji). Cyclone Oma negatively affected Vanuatu and Solomon Islands, and the latter was also hit by weaker logging exports. Inflation in the region remained low, reflecting exchange rate stability and weak import prices.

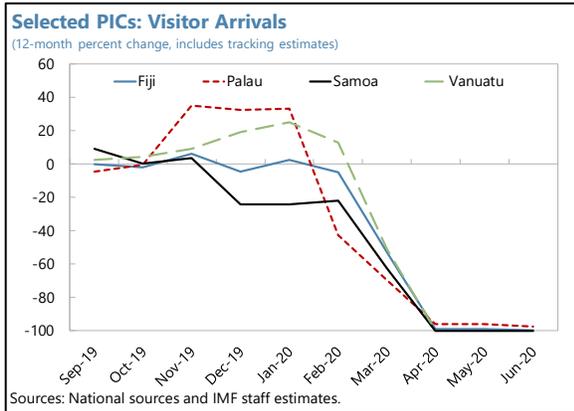
The onset of the COVID-19 pandemic has dramatically changed the outlook for PICs in 2020, especially for those reliant on tourism. Although PICs have had very few cases of COVID-19, activity in all countries has been adversely affected by measures to mitigate risks of an outbreak, as well as by negative spillovers from abroad. For PICs as a group, average (equally weighted) GDP growth is expected to contract by about 3 percentage points in 2020, and by more for PICs with loss of tourism flows, commodity exports, or remittances. Most tourism-reliant countries (such as Cook Islands, Fiji, Palau, Samoa, and Vanuatu) have seen a virtual halt to tourist arrivals, a situation expected to continue at least until the borders reopen and people resume leisure travel. Sharp declines in commodity export prices have hit PNG and Solomon Islands especially hard. Weaker growth in Australia, New Zealand, and the United States is also expected to cut remittance flows substantially, with adverse effects on household incomes in PICs, especially Tonga and Samoa. PIC fiscal positions will also experience a sharp deterioration in 2020 through lower revenues, higher public health spending, and support to vulnerable population and sectors. Several countries (PNG, Samoa, Solomon Islands) have requested and received emergency financing from the IMF.

The impact of the COVID-19 pandemic is likely to be deep and long-lasting for many PICs and may exacerbate macroeconomic vulnerabilities. Given the contraction of GDP and wider fiscal deficits, and the need to finance the deterioration in current account balances, many PICs are expected to face higher public debt-to-GDP ratios in the future. The remaining external financing gaps are expected to put a dent in foreign reserve buffers. Banks may face higher non-performing loans due to the impact of the pandemic. The sharp reduction in economic activity is expected to have adverse implications for potential output, particularly if the effects of the pandemic extend into and beyond 2021.

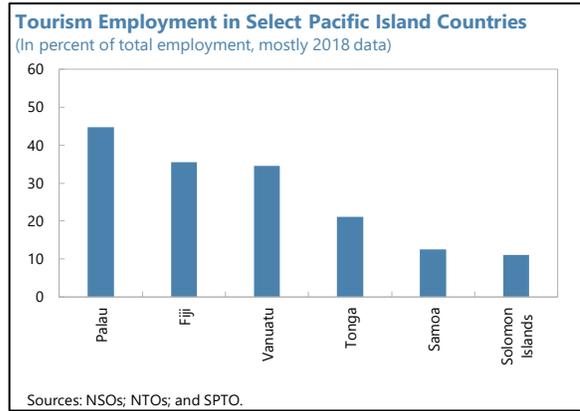
### The growth outlook in Pacific island countries has been dramatically changed by the pandemic



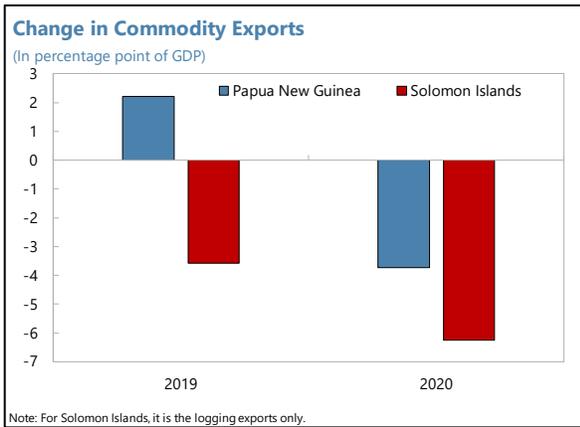
### Tourist arrivals came to a virtual halt



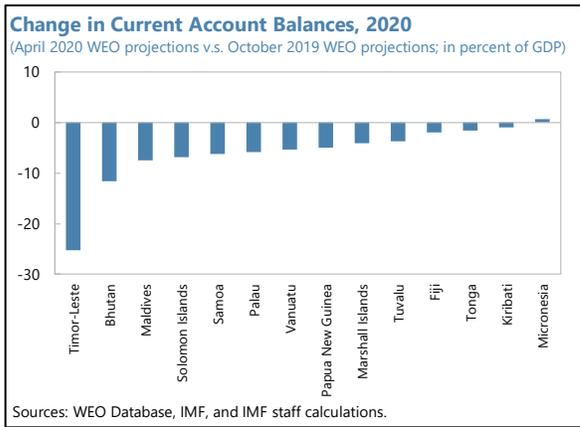
### Employment is being hit hard in the tourist sector



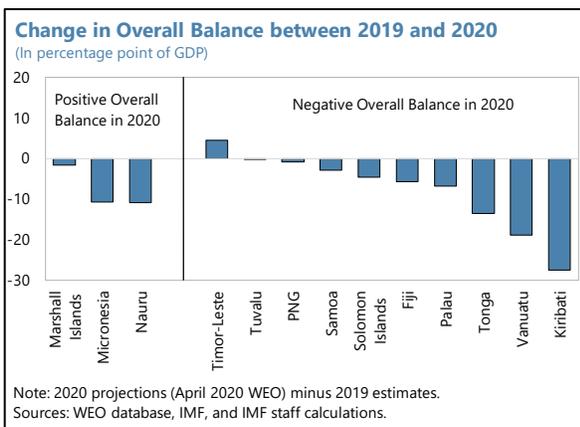
### Commodity exports are hit hard by low prices



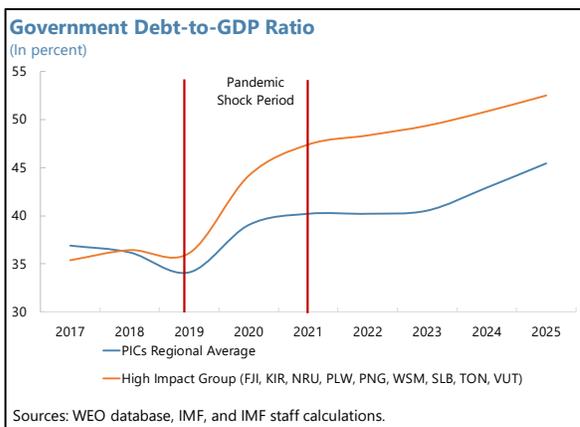
### Current account balances are expected to weaken



### Fiscal positions are projected to weaken with low revenues and high spending



### PICs are expected to face higher public debt-to-GDP ratios in the future





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